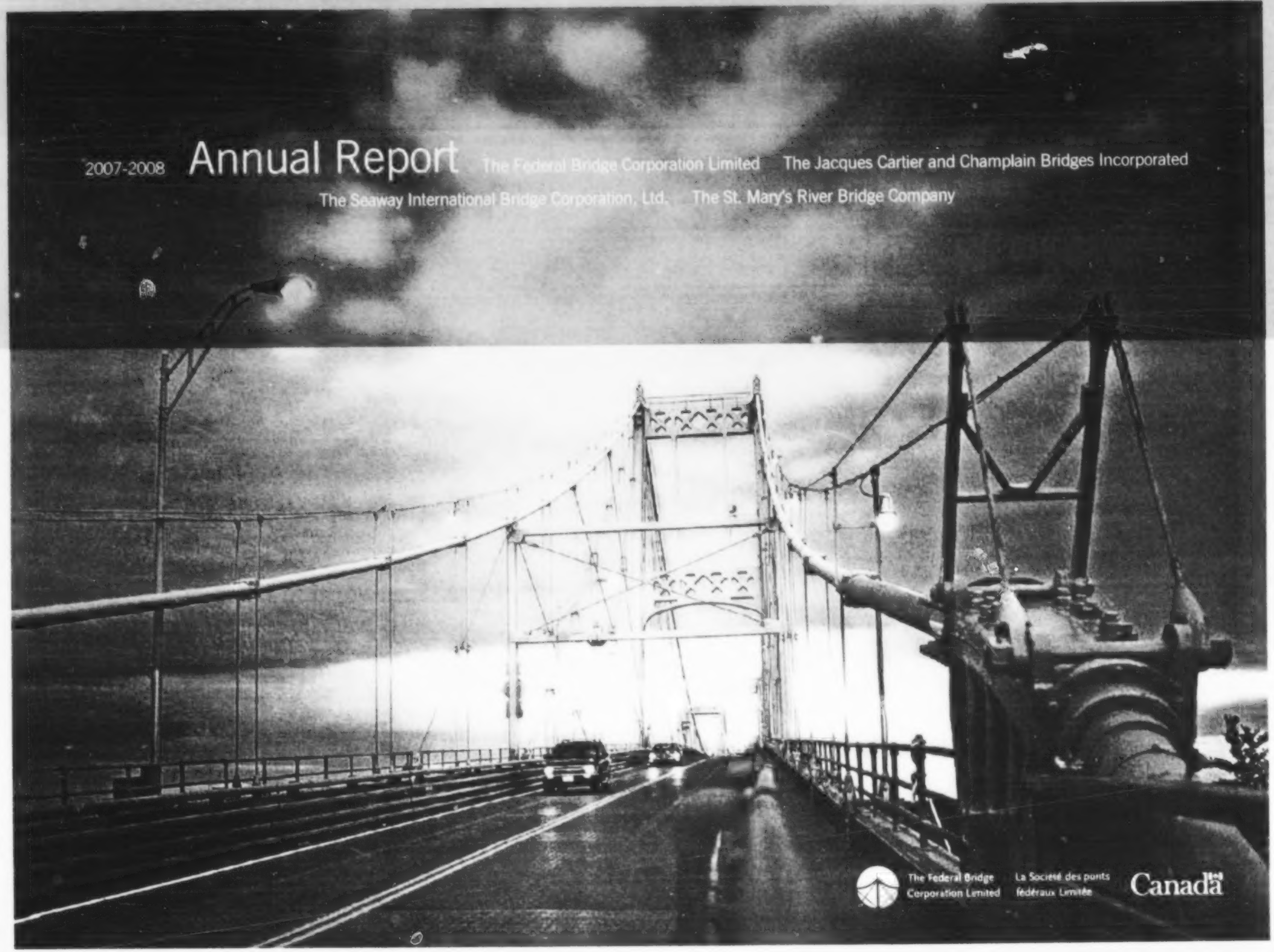
2007-2008 Annual Report

The Federal Bridge Corporation Limited The Jacques Cartier and Champlain Bridges Incorporated

The Seaway International Bridge Corporation, Ltd. The St. Mary's River Bridge Company



The Federal Bridge Corporation Limited La Société des ponts fédéraux Limitée Canada

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Cover photo: The Thousand Islands Bridge

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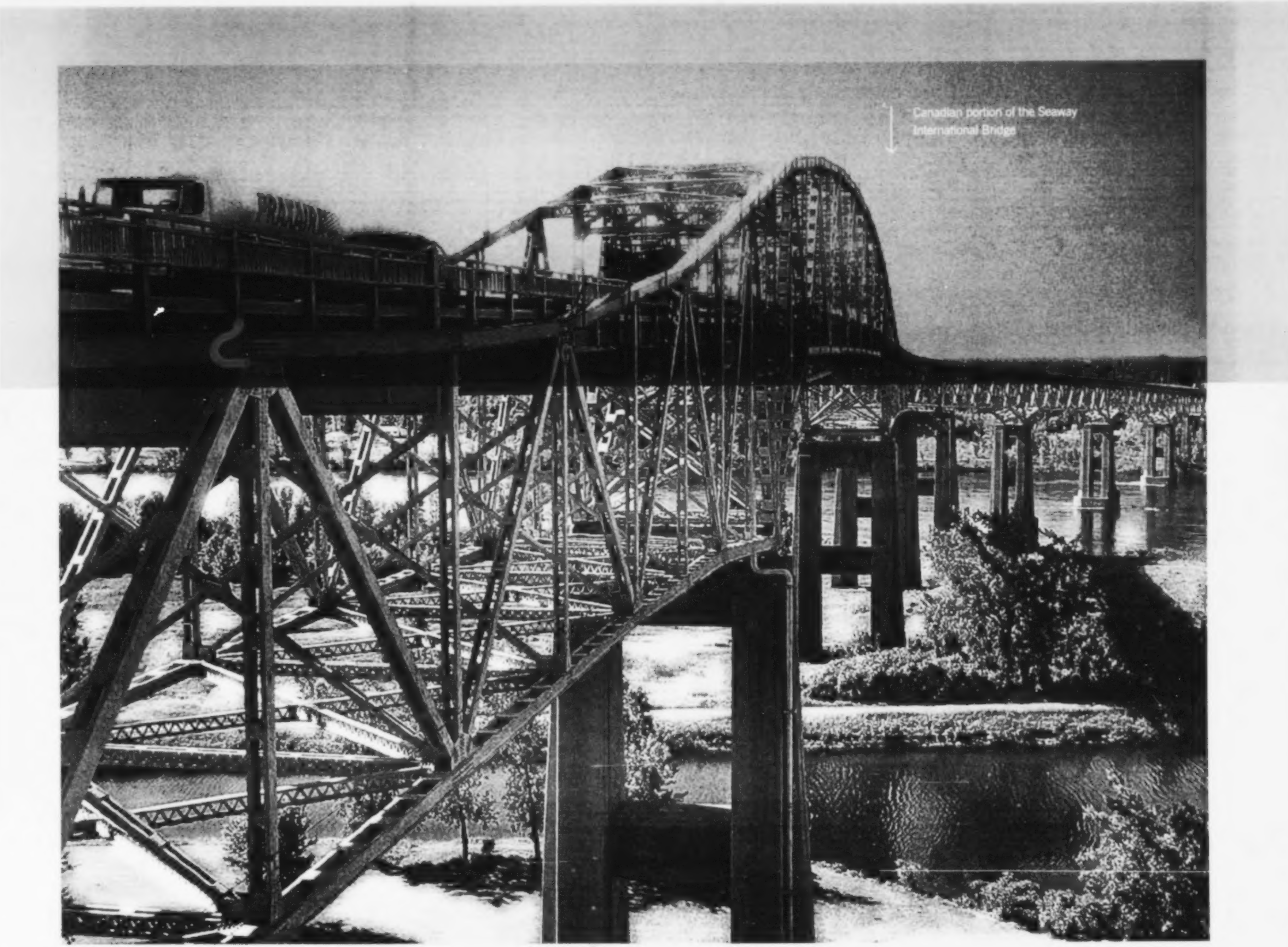

Canadian portion of the Seaway
International Bridge

Message from the President and Chief Executive Officer

Micheline Dubé
President and Chief Executive Officer

The Federal Bridge Corporation Limited (FBCL) owns and manages some of the most important and strategic bridge crossings in Canada. Each year, over 148 million vehicles and more than $67 billion worth of merchandise transit on FBCL's structures, making them among the busiest in North America. These structures play a vital role in connecting Canada's transportation and economic network with the world.

In early 2007, the departure of the former President and CEO led to the appointment of a new Chairman of the Board and a new Chief Executive Officer. The splitting of the above duties, which had little impact on the operational efficiency of the Corporation, has improved governance and management practices to mirror best practices in the private and public sectors. As the new CEO, I will ensure that FBCL is not only equipped to sustain superior performance in the future, but is also prepared to support the Government of Canada in advancing its agenda and to better contribute in the management of national and international bridges.

The challenge for FBCL is to maintain its financial self-sufficiency and peak performance in its current capacity. Particular focus will be on critical areas such as safety, security and the level of services to users, while at the same time, effectively addressing the challenges created by a changing external environment (i.e. The International Bridges and Tunnels Act (IBTA), the Detroit-Windsor crossing, the Nexus/FAST program, the Western Hemisphere Travel Initiative, new passport requirements, etc.). This will require a revised set of priorities and objectives for 2008-2009 and beyond.

Last year, ongoing negotiations delayed two major capital projects which were planned to begin in 2007-2008. An agreement was finally signed in early 2008 by our subsidiary in Montréal, The Jacques Cartier and Champlain Bridges Incorporated for the deck replacement of the Honoré Mercier Bridge, and we remain very confident that we will reach an agreement for the new low level North Channel Bridge at the Seaway International Bridge in Cornwall. Together, these two projects have an estimated cost of over $160 million.

Other major initiatives to be pursued in 2008-2009 include the acquisition of the outstanding shares of The St. Mary's River Bridge Company, the signing by Canada of the new operational Canada/US agreement pertaining to the Sault Ste. Marie International Bridge and the development of innovative approaches to sustain safe and expeditious transit on the bridges connecting the Island of Montréal to the South Shore.

Traffic safety, crossing security, client service and protection of the environment have always been and will remain of critical concern to the Corporation and its subsidiaries.

The Corporation is now facing significant strategic and tactical challenges. These include compliance with new statutory requirements regarding international crossings, rising safety and additional stringent security requirements, increasing traffic on some bridges (straining the infrastructures' capacity), decreasing traffic on others (thereby diminishing toll revenues), and the need for improved cost recovery.

FBCL and its subsidiaries have identified strategies to address these challenges and are working in collaboration with stakeholders to ensure the Government of Canada is able to benefit from the management of its bridges and crossings in a manner that maximizes their value.

	Infrastructures	Corporation	Status	Management / Operations
Greater Montréal Area	[illegible]	[illegible]	[illegible]	[illegible]
Cornwall	[illegible]	[illegible]	[illegible]	[illegible]
Sault Ste. Marie	Sault Ste. Marie International Bridge	St. Mary's River Bridge Company (SMRBC) (Act of Parliament)	Partly-owned Subsidiary [illegible] Remaining shares [illegible]	International Bridge Administration [illegible] [illegible]
Thousand Islands	[illegible]	[illegible]	[illegible] Operating agreement with [illegible]	[illegible]

Mandate

The Federal Bridge Corporation Limited (FBCL) was established specifically to provide the Government of Canada with oversight and accountability for bridges under its control.

FBCL was created as a parent company with a clear mandate to oversee and provide strategic direction to the asset operators under its jurisdiction, in the areas of:

- Governance
- Risk Management
- Environmental Planning
- Safety and Security
- Financial Management
- Auditing

FBCL's Certificate of Incorporation (*Canada Business Corporations Act*, September 2, 1998) outlines that:

The business of the corporation shall be limited to the following:

a) acquiring lands for, and constructing, maintaining and operating, alone or jointly, or in conjunction with an appropriate authority in the United States, bridges connecting Canada with the United States, and, as authorized by the *St. Lawrence Seaway Authority Act*, in connection therewith or as incidental thereto, acquiring shares or property of any bridge company and operating and managing bridges;

b) acquiring lands for, and constructing or otherwise acquiring, maintaining, managing and operating such works or other property as the Governor in Council may deem necessary, and on such terms and conditions as the Governor in Council approves;

c) acquiring or becoming the transferee of all or part of The St. Lawrence Seaway Authority property, rights or undertakings transferred by The St. Lawrence Seaway Authority in accordance with a direction of the Minister of Transport, Infrastructure and Communities issued pursuant to section 80 of the *Canada Marine Act*; and,

d) with the approval of the Governor in Council, leasing to any person any lands, property or water-power held in its name or in the name of The St. Lawrence Seaway Authority or held in the name of Her Majesty the Queen in right of Canada under the control of The St. Lawrence Seaway Authority or under its control.

For the foregoing purposes, the Corporation has, subject to the *Financial Administration Act*, and these articles, as amended from time to time, the capacities and powers of a natural person.

Mission

FBCL's mission is to provide the highest level of custodianship of the bridges under its control and to ensure that these structures are safe and efficient for users.

FBCL's mission also includes the provision of expertise and advice to the Government of Canada with regard to every aspect of bridge design, building, maintenance and operation. FBCL achieves this through the following orientations and strategies:

→ the provision of strategic direction and guidance to the bridge operators under its jurisdiction on key dimensions such as security, safety, environment, risk management;

→ the development of a common accountability framework (such as the standardization of the capital asset amortization and fiscal year end dates) for the bridge operators under its jurisdiction;

→ the ability to leverage competencies and expertise across its network to ensure appropriate bridge maintenance and operation as well as successful completion of major and complex design-build projects;

→ strategic interaction with the Department of Transport and other federal government entities; and,

→ strategic interaction with other key stakeholders within and outside the bridge operators community (e.g., other levels of government in Canada, US governments and partners, communities served by the crossings, user groups, public and private bridge operators in Canada and abroad).

The Jacques Cartier Bridge provides a cyclist path and a sidewalk

Vision

FBCL aims at maintaining its status as a recognized and value-added partner in the management, construction and operation of bridges in Canada.

FBCL will continue its effective, efficient and quality work to reinforce its contribution as an essential player among infrastructure owners in Canada.

Values

FBCL management and personnel base their decisions and actions on eight principal values:

- Safety and security of users and infrastructures
- Highest levels of service and customer satisfaction
- Excellence of expertise and skills
- Preservation of the environment
- Sound governance and management practices, including excellent planning
- Efficient use of resources
- Sustainable strategic alliances and partnerships
- Open and transparent communication, respecting and valuing the contribution of others

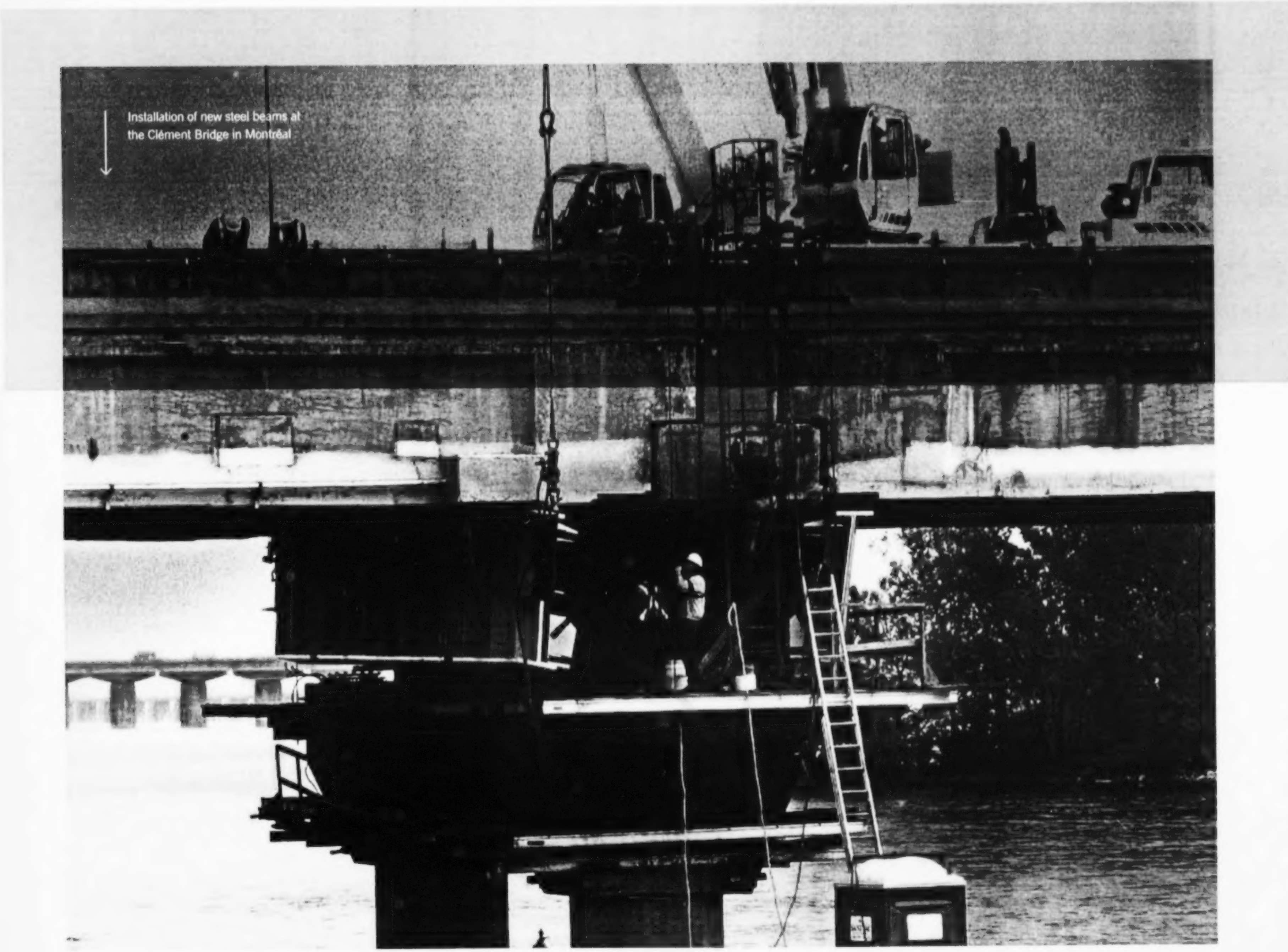
Partnership

FBCL and its subsidiaries have developed a solid network of partners as illustrated in the table on the following page.

Highlights

FBCL and its subsidiaries employ more than 100 people and their assets have a significant impact on local, provincial and regional economies, and are critical for international trade. These assets are valued at $202,966,662.

	Federal	Federal / Provincial Steering committees	Provincial	Others	U.S. / International
The Federal Bridge Corporation Limited	– Privy Council Office – Treasury Board Secretariat – Transport Canada – Finance Canada – Canada Border Services Agency – Department of Indian and Northern Development – Infrastructure Canada	[illegible]	– Ontario Ministry of Transportation	– Industry Stakeholders – Chambers of Commerce	– Homeland Security – General Services Agency – Federal Highway Administration – Michigan Department of Transportation – New York State Department of Transportation – Saint Lawrence Seaway Development Corporation – Chambers of Commerce & [illegible]
The Jacques Cartier and Champlain Bridges Incorporated	– Transport Canada – Environment Canada – Public Works and Government Services Canada		– Ministère des Transports du Québec – Sûreté du Québec – Ministère du développement durable, de l'environnement et des parcs du Québec – Agence métropolitaine de transport	– City of Montreal – City of Longueuil – Industry Stakeholders – Société du Havre de Montréal – Mohawk Council of Kahnawake – Mohawk Peacekeepers	
The Seaway International Bridge Corporation, Ltd.	– Treasury Board Secretariat – Transport Canada – Canada Border Services Agency – Department of Indian and Northern Development – Environment Canada	[illegible]	– Ontario Ministry of Transportation – Ontario Provincial Police	– City of Cornwall – Mohawk Council of Akwesasne – Mohawk Police – Ontario Power Generation – Massena Chamber of Commerce – Cornwall Chamber of Commerce – Local Area Emergency Planning Authority – St. Lawrence River Institute of Environmental Sciences – Canadian Border Trade Alliance – Industry Stakeholders	– New York State Department of Transportation – New York State Troopers – Saint Lawrence Seaway Development Corporation – Homeland Security (includes Customs and Border Protection Agency) – General Services Agency Administration – PBOA – Public Border Operators Association – IBTTA – International Bridge, Tunnel and Turnpike Association – St. Lawrence County
The St. Mary's Bridge Company	– Transport Canada – Canada Border Services Agency		– Ontario Ministry of Transportation – Ontario Provincial Police	– Industry Stakeholders – Police	– Michigan Department of Transportation
The Thousand Islands Bridge Authority	– Canada Border Services Agency		– Ontario Ministry of Transportation – Ontario Provincial Police	– Industry Stakeholders – Chambers of Commerce & [illegible]	– New York State Department of Transportation – Homeland Security (includes Customs and Border Protection Agency) – General Services Agency – Federal Highway Administration



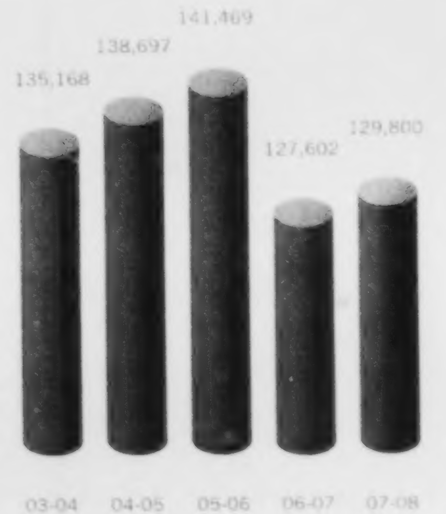
Installation of new steel beams at the Clément Bridge in Montréal

Operational Review

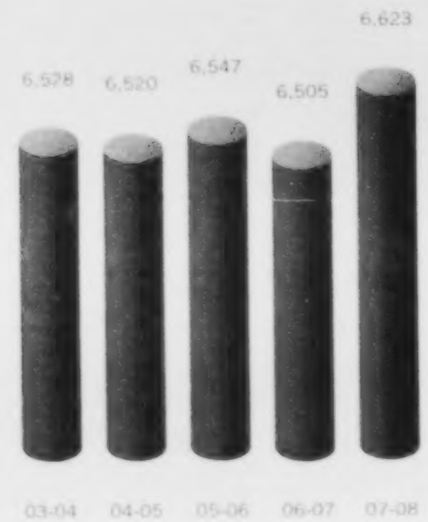
Number of employees (as of March 2008)

	FBCL Ottawa	JCCBI Longueuil	SIBC Cornwall	TIBA Thousand Islands	JIBA Sault Ste. Marie
Full-time	11	16	11	32	30
Seasonal	—	—	13	38	18
Students	[illegible]	[illegible]	8	0	4
Part-time	[illegible]	[illegible]	4	3	—

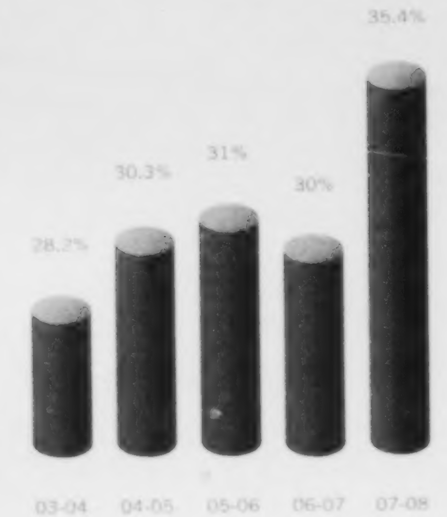
Number of transits – infrastructures in the Montréal area[1]



Number of transits – international bridges

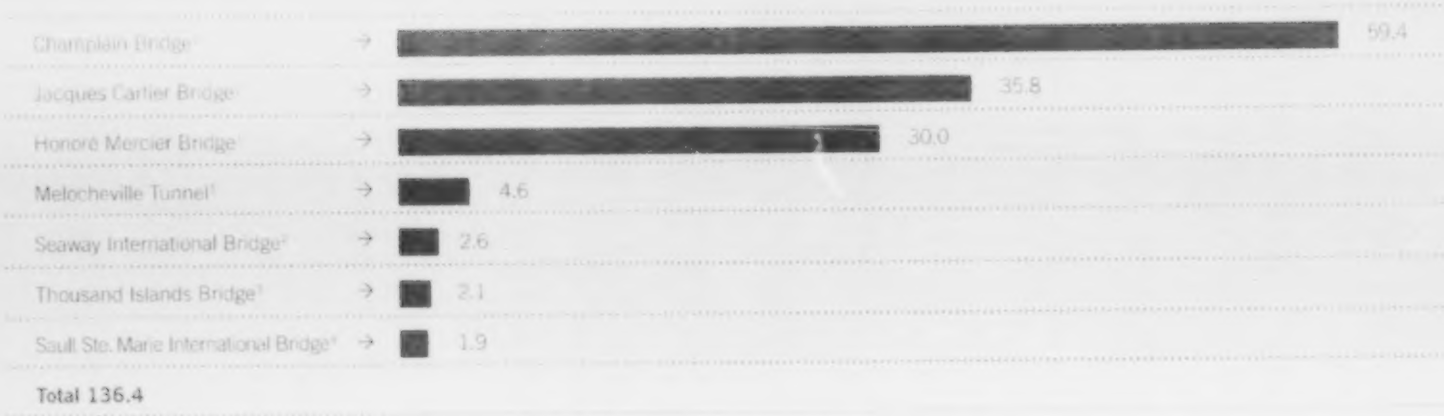


Portion of expenses covered by revenue for all of our structures

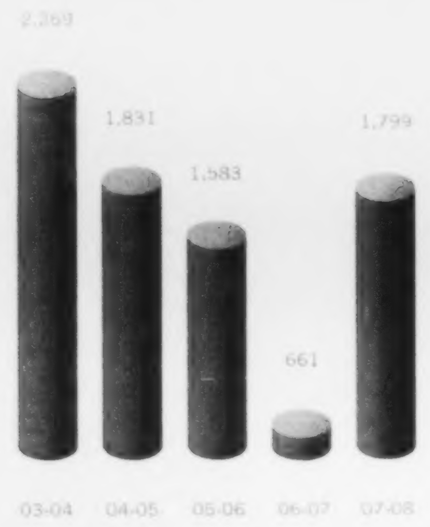


Vehicle transits

(in millions)

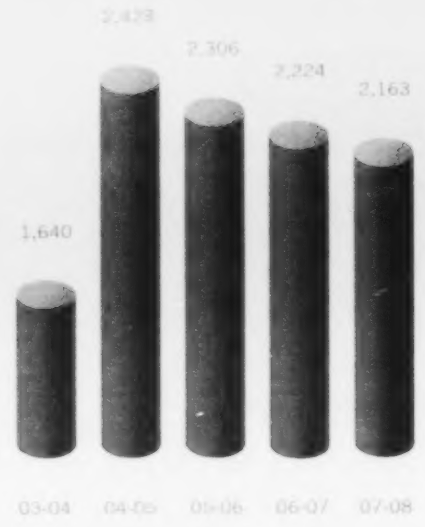


Operating revenue from the Thousand Islands International Bridge (thousands of dollars)



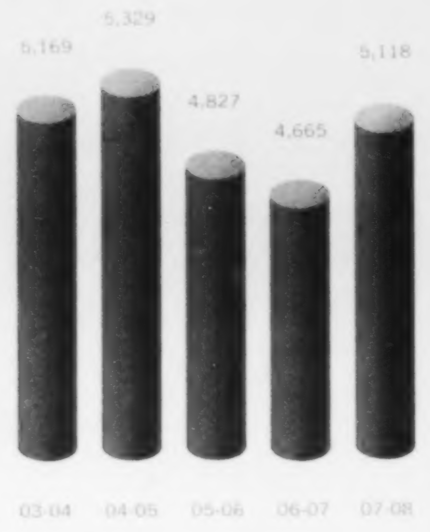
Leases and licenses

(thousands of dollars)



Tolls

(thousands of dollars)



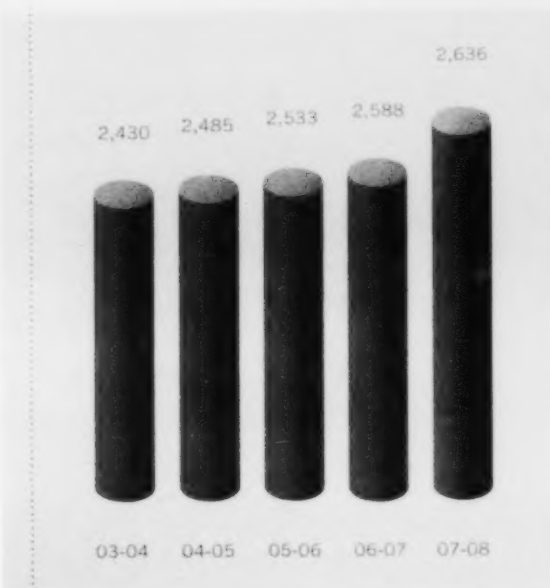
[illegible]

[illegible]

[illegible]

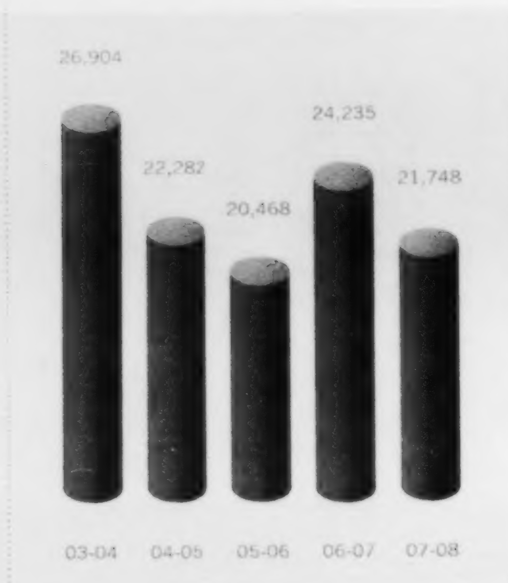
Advertising revenue

(thousands of dollars)



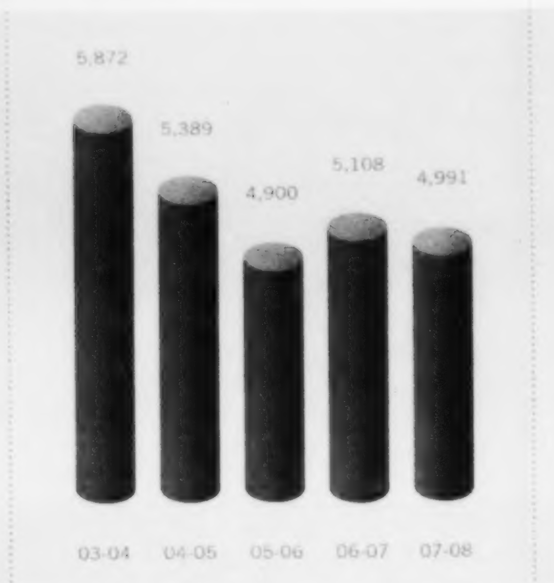
Maintenance

(thousands of dollars)



Operations

(thousands of dollars)

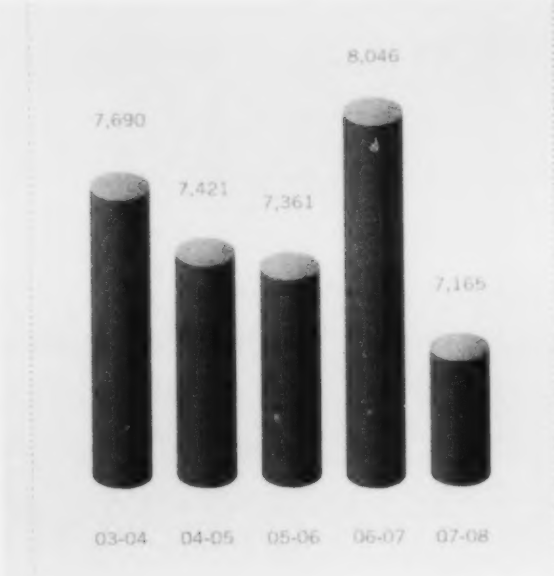


Revenue generated by advertising continues to be a major source of revenue for the Corporation. The amount of $2.6 million for the year represents approximately 17% of all regular revenues.

Maintenance costs have decreased by $2.5 million from last year. This decrease can be attributed to a decrease in the number of [illegible]

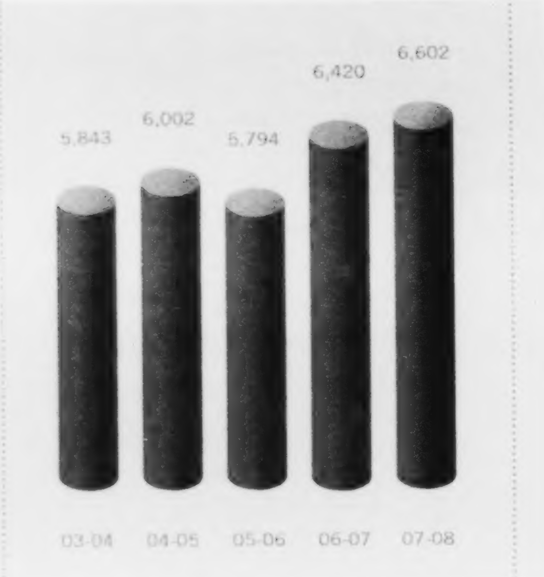
Administration costs

(thousands of dollars)



Amortization

(thousands of dollars)



Corporate Status and Assets

Headquartered in Ottawa, FBCL is a Schedule III Part I Crown corporation whose incorporation was authorized by an Order in Council (PC 1998 1512 on August 26, 1998). Incorporated under the *Canada Business Corporations Act*, the Corporation replaced the former St. Lawrence Seaway Authority (SLSA) as the corporate body responsible for operating and managing non-navigational SLSA structures. These include properties of The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), in the Montréal region, and, in a joint venture with its US partner, The Seaway International Bridge Corporation, Ltd. (SIBC), in Cornwall.

At the same time, FBCL assumed responsibility for the management of the Canadian portion of the Thousand Islands International Bridge. FBCL does not, however, operate the bridge. The Thousand Islands Bridge Authority (TIBA), a US corporation, is the operating agency. FBCL remains responsible to carry out all repair and maintenance of the Canadian facilities.

In 2000, FBCL also acquired 90.7% ownership in The St. Mary's River Bridge Company (SMRBC), the company that owns the Canadian half of the Sault Ste. Marie International Bridge, and is represented on the Joint International Bridge Authority (JIBA), the entity overseeing the operations of the crossing. FBCL appoints the SMRBC directors, who in turn, appoint three of theirs to sit on JIBA, on the basis of a list provided by the Minister of Transport, Infrastructure and Communities.

As a result of these various assignments, FBCL is today directly responsible for three international bridges in Ontario and six facilities in the Greater Montréal area. These assets are operated through three subsidiary corporations and a bi-national partnership.

- The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) in Montréal
- The Seaway International Bridge Corporation Ltd. (SIBC) in Cornwall
- The St. Mary's River Bridge Company (SMRBC) in Sault Ste. Marie (bi-national agreement)
- The Thousand Islands Bridge Authority (TIBA) (bi-national agreement)

The Corporation also represents the interests of the Government of Canada for the Canadian portion of the Thousand Islands International Bridge in Ontario. In this case, the operating agency, TIBA, is not a subsidiary but a US entity bound by a bi-national agreement.

FBCL owns and manages some of the most important and strategic fixed-link crossings in Canada. Each year, over 148 million vehicles and more than $67 billion worth of merchandise cross FBCL's structures, making them among the busiest in North America. These structures play a vital role in connecting Canada's transportation and economic network with the world.

Governance

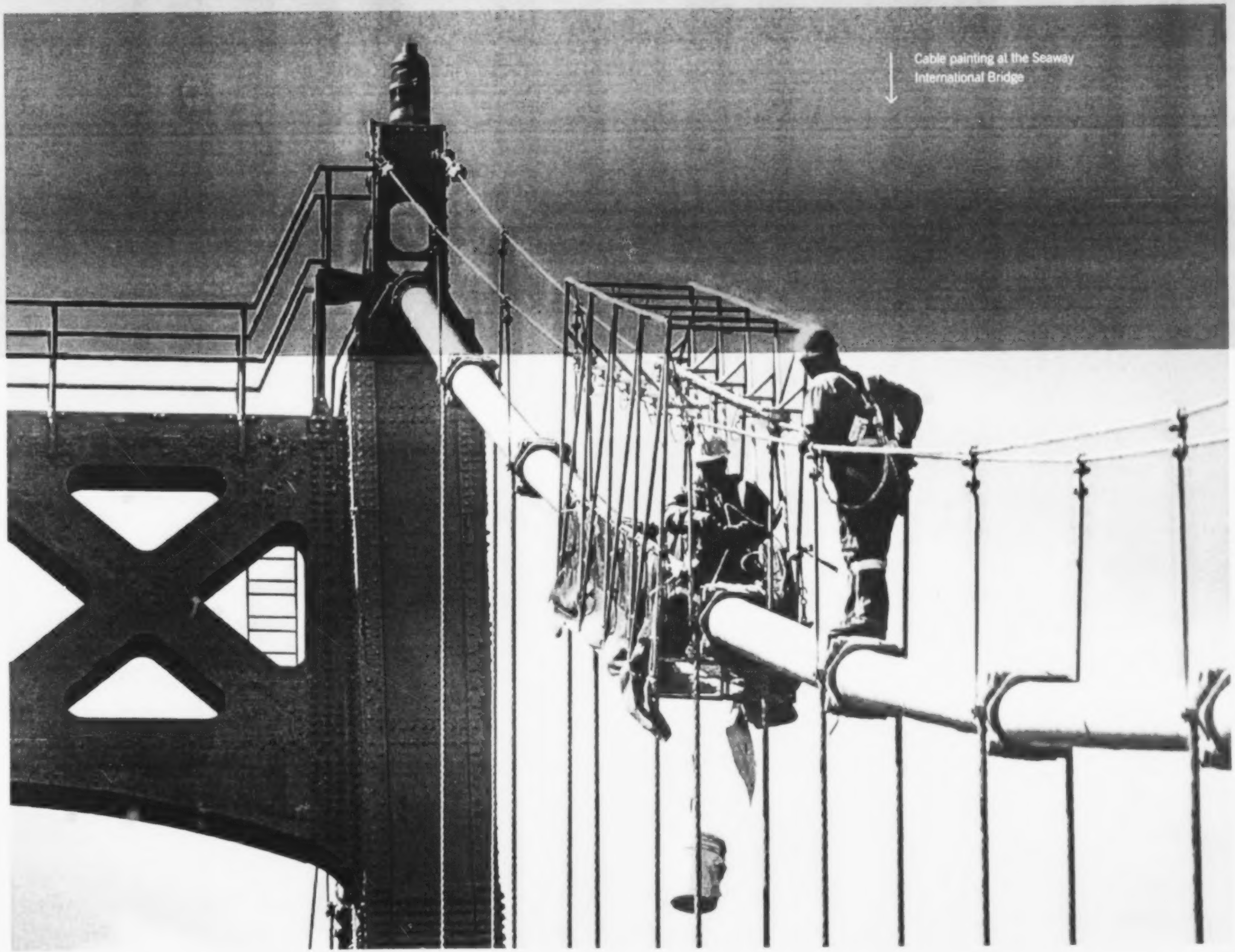
The FBCL Board of Directors is appointed by the Governor in Council on the recommendation of the Minister of Transport, Infrastructure and Communities. The Board functions according to the best governance principles existing in the public and private sectors. Board members act as stewards of the Corporation. The Chairperson of the Corporation is assisted on the Board by three other Directors.

In 2006, the Board of Directors amended the Corporation's bylaw, to provide for two separate positions for Chair of the Board and Chief Executive Officer. The President of the Corporation held both positions until March, 2007. The government now appoints two individuals to these positions.

In accordance with new governance procedures a Chairperson was appointed by the Governor in Council on August 1, 2007, for a term of five years.

A Chief Executive Officer was also appointed on Feburary 6, 2008, for a period of five years.

In accordance with sound governance practices, the committees of the Board ensure that all significant measures and initiatives are carefully vetted before the full Board reviews a matter at hand. Well-established committees exist in the areas of audit, risk management, governance, environment and human resources. A nominating committee has also been established; its major role is to investigate and recommend appointments and renewals to the the Board as well as to the subsidiaries' boards.



Cable painting at the Seaway International Bridge

Performance against Objectives

[illegible]

a) The Federal Bridge Corporation Limited

Aside from meeting ongoing objectives such as safety, security and service to users, the other key strategic objectives established by FBCL Board for 2007-2008 were:

Objective 1

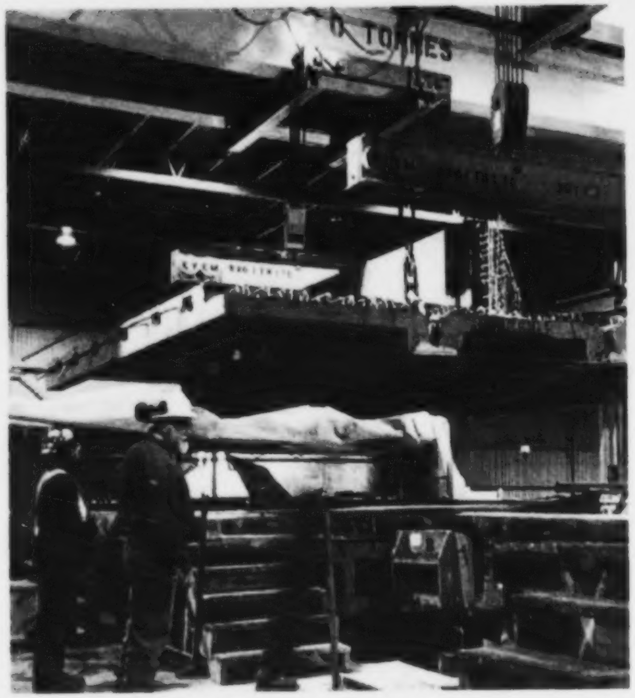
Continue to ensure alignment of FBCL governance framework with best practices and revised government requirements.

This ongoing objective was met for 2007-2008.

FBCL continues to be active on the governance front, so that expectations for the subsidiaries and best practices are in place. It also ensures that new directors become familiar with the infrastructures controlled by FBCL and its subsidiaries.

There are three major challenges moving forward.

1. The Corporation expects significant changes as a result of new legislation: the *Federal Accountability Act* and the *International Bridges and Tunnels Act*.



As a result, FBCL will have to update current governance practices, as well as redefine its approach and framework to take into account the new directions. FBCL will take an active role in reviewing draft regulations to be issued under the ***International Bridges and Tunnels Act.*** The Chairperson and other directors have been briefed on their responsibilities and limitations as stipulated by the Federal Accountability Act.

2. FBCL will continue to implement the parent/subsidiary governance framework, ensuring consistency of the underlying framework and how it is applied. The Corporation will also update and document its key internal management processes. In particular, it will strengthen the internal communications function since following the split of the chair and CEO positions, the CEO will no longer sit on the various boards, etc.). In order to communicate the objectives from the parent Corporation to its subsidiaries, the FBCL Board of Directors decided in 2005, to issue a statement of priorities and accountabilities to its subsidiaries in the form of annual letters of expectations. The letters are revised annually to include specific directions emanating from annual strategic planning sessions held at the board and senior management levels and discussions with senior managers at those subsidiaries. The letters reflect the specific realities of each subsidiary and are flexible enough to respect the status of each corporation. The letters do not, however, allow the parent corporation to enter into the daily management of the subsidiaries, which remains the prerogative of each subsidiary's Board of Directors.

FBCL is also looking at improving the flow of information (events, issues, projects, etc.), from the subsidiaries, a potential 100% ownership in SMRBC, as well as improving a tracking/decision matrix for Board recommendations.

3. In the context of significant renewal at the Board level, it is important to ensure that consistency is maintained at all levels of decision making. The Board of Directors must continue to act as stewards and champions of the Corporation, and ensure that stakeholders are appropriately engaged. This was accomplished in part in the course of the Corporation's first annual public meeting held in Ottawa in September 2007. Stakeholders were present, voiced their opinions and follow-up actions are taking place. The FBCL Board of Directors also contributed to the proper functioning of subsidiary Boards of Directors by either renewing the terms of proven directors or appointing new directors where required.

Objective 2

Create options for a sustained funding of the FBCL business model

This ongoing objective was not met for the 2007-2008 planning period.

There is recognition that the current funding mechanism for FBCL, as the parent entity, does not provide much room to manoeuvre financially. As revenues are mostly derived from the custodial functions of FBCL at TIBA – and other minor ancillary monies from various subsidiaries – the ability for the Corporation to increase its revenues is limited, thus leaving lingering questions concerning the long term sustainability of the current model. Consequently, it is critical to identify viable and sustainable options to fund the FBCL value-added contributions to both the Government of Canada and its subsidiaries.

FBCL has produced several white papers outlining a revised and strengthened approach for the governance and funding of international bridges. Transport Canada (T.C.) is currently reviewing the impact of our recommendations and have sought FBCL's verification and analytical input on *The International Bridges and Tunnels Act* (IBTA) safety guidelines.

FBCL has also made a presentation and petitioned the T.C. Policy Group to participate in the new Detroit/Windsor crossing program.

For FBCL to create opportunities for sustained funding, we must continue to develop our reputation by:

- being an active, accepted, visible, working and serving member of the bridge infrastructure and international crossing community;
- creating, maintaining and enhancing a favourable awareness of FBCL and its services;
- stimulating inquiries from departments and other target groups on issues related to safety, security, operation and tolling practises for international bridges.

Tolling is an integral part in funding not only bridge operations but basic maintenance and up keep related to Canada Border Services Agency (CBSA) facilities. However, those bridges located outside the lucrative Toronto/Windsor corridor (namely Cornwall, Thousand Islands and Sault Ste. Marie) cannot provide the same level of accommodation to CBSA as is being provided by the infrastructures within highly travelled areas.

It is necessary therefore to look to new measures to support CBSA's efficiency.

Recently, toll rates have been adjusted on account of the higher value of the Canadian dollar to ensure that Canadians are not disadvantaged at our toll booths.

Objective 3

Further enhance business opportunities across the organization

This ongoing objective was not met for the 2007-2008 planning period.

FBCL needs to continue to capitalize on leveraging initiatives that are already in place (as have been highlighted previously) as well as launching new ones to enhance future business opportunities. FBCL in collaboration with TIBA has recently hired a Director of the Capital Corridor Program, a new position which is an initiative to develop and encourage cross border trade, tourism, as well as corporate joint ventures in research and development. By identifying and promoting business development opportunities, FBCL hopes to enhance and encourage additional traffic at the Thousand Islands bridge crossing.

Objective 4

Successful management of critical projects

This ongoing objective was met for 2007-2008, however successful management of First Nations projects (i.e. North Channel Bridge replacement in Cornwall or Honoré-Mercier deck replacement project in Montréal) should not be judged under the same terms of reference as other critical projects.

There are a number of major projects that are scheduled to be undertaken in the upcoming year, which are critical to FBCL at a variety of levels. The successful completion of these projects is of the utmost importance to the subsidiaries in terms of improving infrastructure at the local level, but they also have a major impact on the parent company. It is vital for FBCL to exhibit a strong leadership and management role in the execution of these projects, ensuring that the level of performance meets or exceeds the expectations of the stakeholders. These projects, which include the replacement and construction of the North Channel Bridge in Cornwall, the deck replacement of the Honoré Mercier Bridge in Montréal, the negotiation of a new agreement for the Sault Ste. Marie (SSM) crossing and the completion of the environmental assessment for the new plaza in SSM are critical components of the global crossing system in Canada.

FBCL has been engaged in talks with the Mohawk Council of Akwesasne (MCA) since December, 2006, trying to reach an agreement in principle on the construction of a new low level bridge in Cornwall. The agreement focuses on five elements that were federally funded which include the new bridge, the new corridor roadway, relocation of the toll plaza, rehabilitation and expansion of the Canadian Border Services Agency plaza and a new toll policy.

Negotiation teams for FBCL and MCA developed three draft agreements for MCA council approval. The drafts were all returned with significant changes which have frustrated the process, delayed the announcement of the project and may increase the budget by an additional $1 million due to escalating costs for construction materials, winter conditions and skilled labour.

In November 2007, the Grand Chief met FBCL's acting CEO with a renewed sense of urgency to get an agreement signed.

However, there is still concern that MCA will reject any expansion of the custom's plaza based on CBSA's "statement of requirements," and only approve the building of the new low level bridge.

Objective 5

Develop and implement a comprehensive communications plan in order to enhance a sustainable relationship with key stakeholders

This ongoing objective was met for the 2007-2008 planning period.

FBCL is continuing its plan to improve relationships with key stakeholders through the revision and implementation of its communications approach. Last year, the Corporation identified three areas that needed further attention (developing a communications and engagement plan, reinforcing FBCL's contribution to the government, contributing to Transport Canada's consolidation and integrated approach to managing federally-owned crossings).

Significant progress has been made on a tactical basis (e.g. development of extensive communications plan and improvement of relationships with key stakeholders for the Mercier Bridge project).

FBCL further improved its relationship with Transport Canada on the development of a standardized structure and production process for the consolidated Corporate Plan.

b) The Jacques Cartier and Champlain Bridges Incorporated

The Champlain Bridge [illegible] seen from the South Shore.

Key strategic objectives identified by JCCBI for 2007-2008 were:

Objective 1

Commence the re-decking project of the Honoré Mercier Bridge preceded by the signing of intergovernmental agreements and award of all project management related contracts.

The jurisdiction of the Honoré Mercier Bridge is shared between the federal and provincial governments, with the section of the bridge over the Seaway and the ramps traversing the Mohawk reserve of Kahnawake under federal ownership and the section of the bridge over the St. Lawrence River under provincial ownership. However, the surface of the federal portion of the bridge, including roadway markings, as well as the lighting system and roadway signage across the entire bridge remain under provincial jurisdiction.

Although ownership of the bridge is divided between the federal and provincial governments, dividing the work into contracts based on ownership and managing them independently would not necessarily be effective in terms of coordination, decision making and scheduling. As a result, the Ministère des Transports du Québec (MTQ) and JCCBI plan to have one project consisting of two contracts both managed by JCCBI.

The first of these contracts (Contract A) consists of replacing the deck of the approach ramps situated through the Mohawk reserve of Kahnawake and carrying out steel repairs on both federal and provincial sections of the bridge. This contract has been set aside for the workers on the Kahnawake reserve. The second contract (Contract B) will be a publicly tendered contract and will consist of replacing the deck on the section of the bridge over the Seaway and the St. Lawrence River.

Two intergovernmental agreements were signed on July 20, 2007, namely; a tripartite agreement between the Mohawk Council of Kahnawake, the MTQ and JCCBI and a bipartite agreement specific to Contract A between the MTQ and JCCBI.

The contractors on the Mohawk reserve have pooled their resources together to form the Mohawk Bridge Consortium (MBC). The MBC submitted a bid for Contract A and negotiations led to a contract award of some $66M and include the MTQ portion representing some 15%. Work is slated to commence in May 2008.

Objective 2

Prepare the communication plan for the re-decking of the Mercier Bridge including press conference and meeting with strategic stakeholders

A communication plan has been prepared. Due to certain delays in awarding Contract A, a press conference could not be held in 2007-08 but is planned for spring 2008. Most of the main stakeholders such as the Mohawk Council of Kahnawake, the Agence Métropolitaine de Transports and representatives of various local municipalities (whose residents will be impacted by the project) have been met.

Objective 3

Strengthening of the Clément Bridge piers and support beams

The Clément Bridge is a four lane bridge that links Nuns' Island to the Bonaventure Expressway. A contract for some $ 5.6 million was awarded in 2007 to reinforce seven support piers and install 14 transverse beams. In 2007, three support piers and the installation of six transverse beams were completed. The remainder of the work is slated for completion in 2008. Trucks have been restricted from this bridge pending completion of the work.

Objective 4

Monitor and repair the pre-stressed beams and pier tops of the Champlain Bridge

In 2007, JCCBI continued its program to repair and strengthen certain beams and pier tops of the Champlain Bridge. Instrumentation monitoring systems were installed in 2007 and permit continuous monitoring of certain beams and piers.

Objective 5

Realize the feasibility study to rehabilitate and widen Highway 15 with a view of traffic decongestion and determine the best repair scenario for the re-decking of the Nuns' Island Bridge.

JCCBI recognizes that the Champlain Bridge/Highway 15 corridor is among Montréal's most congested roadway arteries; thus JCCBI seeks to find solutions that could alleviate this congestion. A feasibility study was thus commissioned to examine the repair strategies and also the possibility to widen Highway 15 between Atwater Street and the Nuns' Island Bridge from 4 lanes to 6 lanes and coordinate accordingly the repair strategy for the re-decking of Nuns' Island Bridge. The said feasibility study was commenced in the Fall of 2007, and should be completed by May 2008.

Objective 6

Accomplish the major maintenance program scheduled for 2007-08 on JCCBI structures

The major maintenance program carried out in 2007-2008 is part of a multiyear program to rehabilitate the various structures under JCCBI's responsibility.

Major maintenance repairs were completed in 2007 as follows: rehabilitation of concrete pier tops and beams including bearings on the Champlain Bridge; important roadway repair work along the Bonaventure Expressway involving local repairs and the rehabilitation of an overpass; strengthening of a second overpass, situated on Highway 15; first phase of reinforcing work on Clément Bridge; continuation of the program to rehabilitate expansion bearings at the Jacques Cartier Bridge; structural strengthening of the upstream ramp at the Jacques Cartier Bridge (Île Ste-Hélène Pavilion); and replacement of roadway lighting lamps for the Jacques Cartier Bridge and installation of security lighting at the Montréal end of this bridge.

Objective 7

Regarding the environment, complete the hydrogeological study of the contaminated properties along the Bonaventure Expressway and proceed with water treatment tests and pilot project

Contaminated properties managed by JCCBI since 1978 in the Bonaventure Expressway sector, adjacent to the St. Lawrence River, in Montréal, are located on a portion of a former waste fill site operated by the City of Montréal from 1866 to 1966. JCCBI commissioned a hydrogeological study which was completed in the spring 2007. Water treatment tests were deemed not necessary at this time since the Montréal Center of Excellence in Brownfield Rehabilitation has carried out extensive water treatment tests thereby eliminating the need to reproduce these tests. A pilot project by JCCBI has been suspended in view of JCCBI's planned mitigation strategy for confinement and treatment of groundwater at the site.

The [illegible] from [illegible]

c) The Seaway International Bridge Corporation, Ltd.

Key strategic objectives established by SIBC Management and the Board in last year's Corporate Plan for 2007-2008 were:

Objective 1

Improve safety and security

This objective was partially achieved. Security fencing has been installed at the US side of the South Channel span. Surveillance cameras have been installed to monitor traffic and activities on the road approaches to the toll plaza. Surveillance cameras in the toll lanes have been upgraded. Bullet-proof shielding has been installed to protect areas of the natural gas pipeline that could be susceptible to rifle fire. The Corporation's Emergency/Crises Action Plan has been updated.

For the past two years, SIBC has been actively involved in negotiations with the Mohawk Council of Akwesasne (MCA) to put in place an agreement for the use and administration of bridge passes. These negotiations have taken place as part of the negotiations for an agreement regarding the construction of a new North Channel Bridge and the relocation of the toll plaza. SIBC and FBCL have not been able to reach agreement with MCA, and therefore other options to improve the tolling environment, such as relocation off Cornwall Island, will be explored.

SIBC operates in a challenging environment where law enforcement agencies are limited in the level of support that they can provide. This was demonstrated during the occupation of the toll road corridor during the National Day of Action on June 29, 2007. SIBC toll collectors were instructed to evacuate the crossing after shots were fired when the police attempted to stop the barricading of the toll road. The barricades were set alight and the Corporation's facilities were in control of the protesters for several hours. In addition to the trauma experienced by our employees, the Corporation expended a total of $86,000 associated with these activities. Warrior flags are still in place on the north channel span.

SIBC prepared a concept drawing for property and security fencing for the area near the South Channel Bridge and the Canada Customs compound. The drawing was used to present the issue of fencing during meetings with MCA regarding the North Channel Bridge replacement and corridor improvements. However, MCA officials appear to be opposed to the installation of fencing and barriers. SIBC has therefore deferred action on this issue. Area fencing will be

addressed as part of the environmental assessment of the new toll plaza and CBSA commercial inspection facilities. In the meantime, there is no physical barrier to prevent cars from leaving the roadway and bypassing Canada Customs by driving through several properties.

Objective 2

Manage the safety risks at the North Channel crossing pending its replacement.

This objective was achieved. SIBC maintenance crews carried out all of the special maintenance activities that SIBC has established for this structure. This includes: hands-on inspection of the underside deck along Brookdale Avenue; full depth repairs to portions of three deck panels; deck surface repairs; and daily road checks.

In addition, a construction project to repair six concrete deck panels was completed.

Objective 3

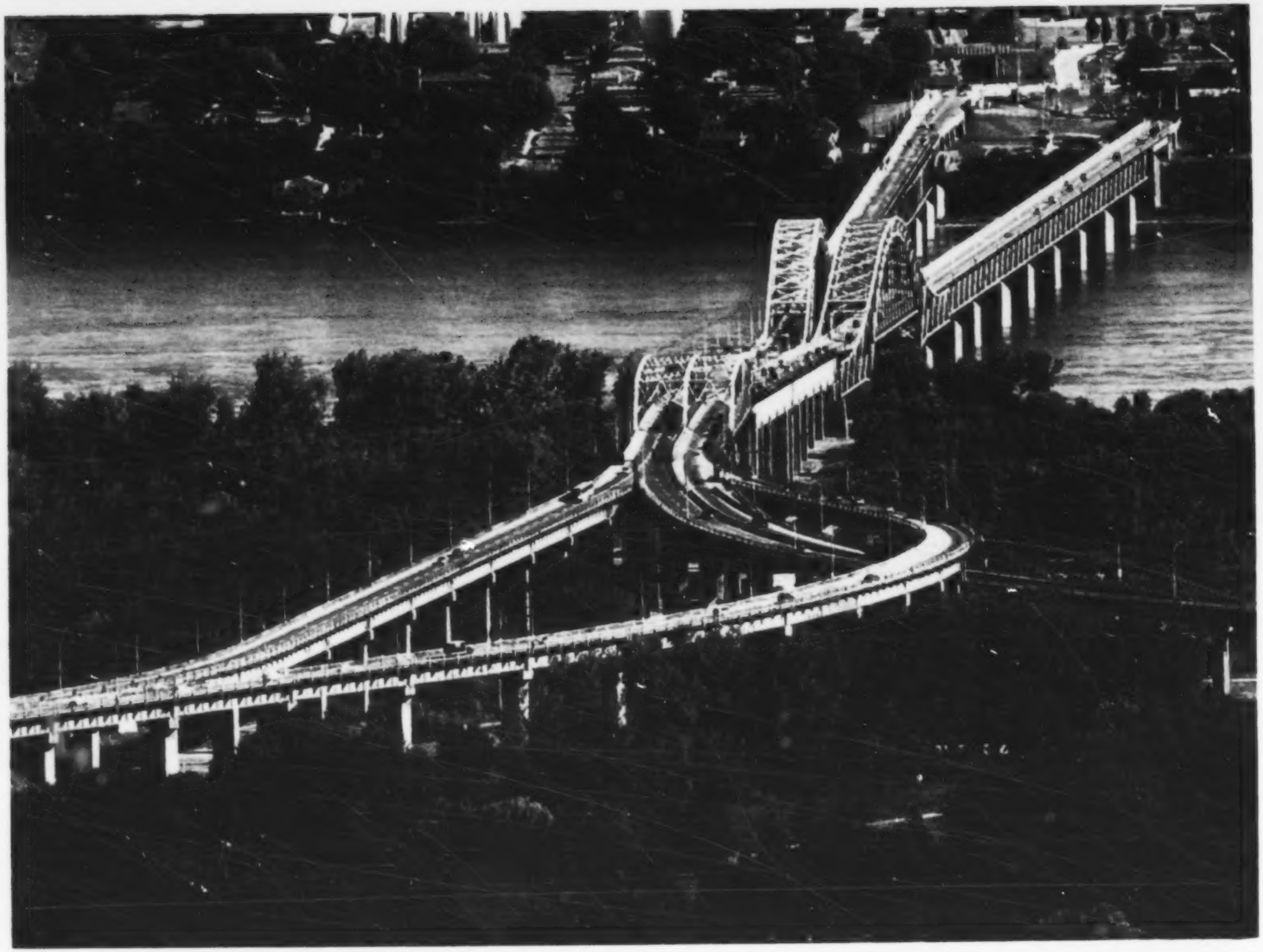
This objective was substantially achieved. SIBC managers have worked with FBCL's negotiating team to revise an agreement document that includes an Annex relating to the administration of bridge passes. The SIBC Board has approved the policy details in the Annex and this portion of the agreement appears to be concluded. SIBC managers have attended stakeholder meetings and assisted in the development of concept plans. SIBC has also developed a statement of requirements for the relocated toll plaza, administration and maintenance building. Detailed design work will take place after an environmental assessment for these works, and the Canada Customs compound, has been completed.

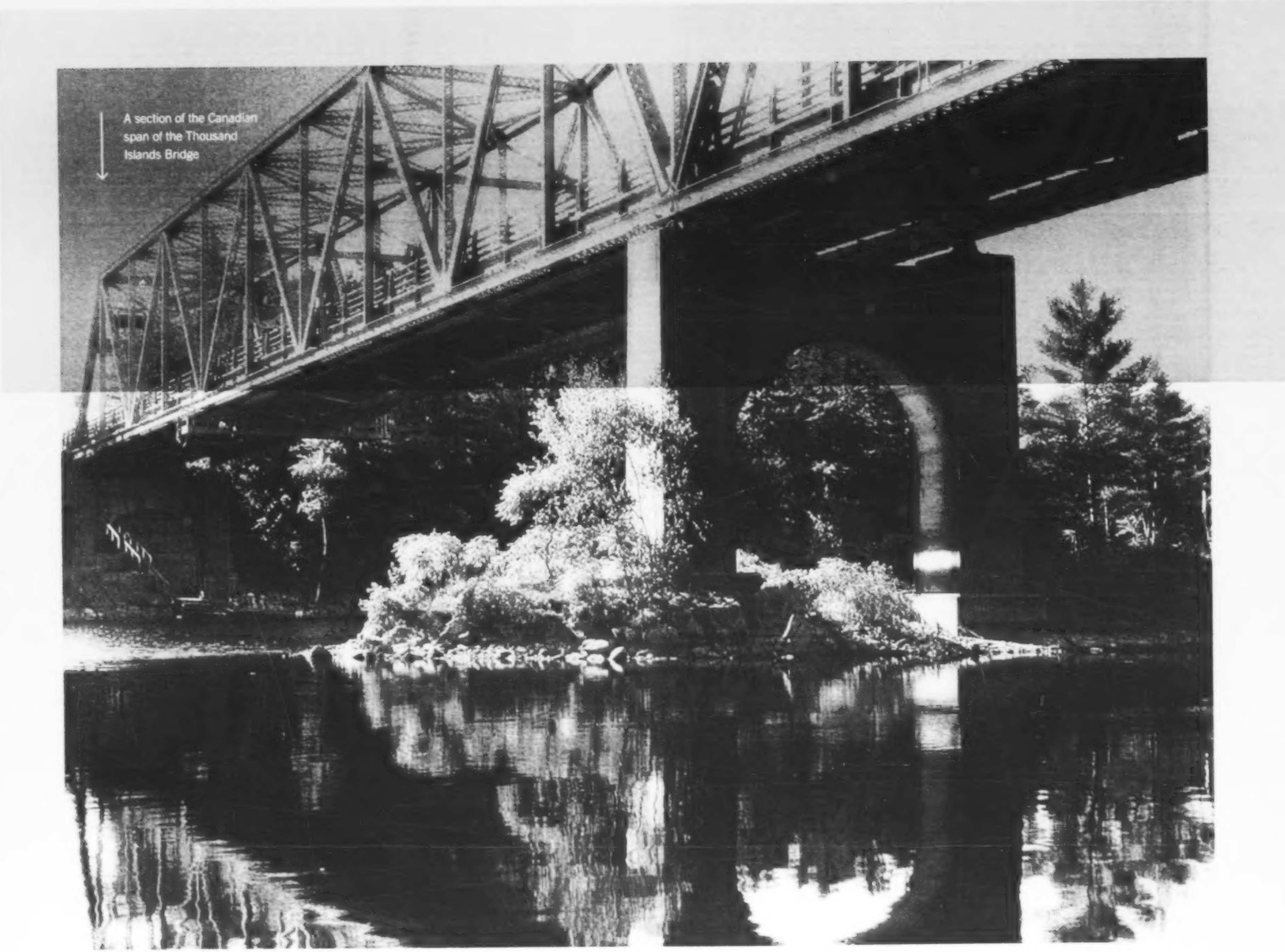
Objective 4

Ensure coordination of operations with major construction activities.

This objective has been achieved with respect to the major construction activities that are taking place on the US side of the crossing with the re-routing of the Highway 37 traffic circle and the construction of the new port of entry. SIBC was actively involved in the review of the roadway design, leading to major improvements. SIBC receives the minutes of regular project meetings to ensure that crossing operations are not adversely affected.

There were no other major construction activities that required coordination.





A section of the Canadian span of the Thousand Islands Bridge

Management Discussion and Analysis

This Management's discussion and analysis (MD&A) is presented to enable readers to assess material changes in the financial condition and operational results of the Corporation for the year ended March 31, 2008, compared with the corresponding periods.

This MD&A should be read in conjunction with our consolidated financial statements and related notes. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Corporation's annual consolidated financial statements prepared in accordance with generally accepted Canadian accounting principles.

The Jacques Cartier Bridge deck replacement that took place in 2001-2002 will serve as a model for the Honoré-Mercier Bridge rehabilitation.

↑ The Thousand Islands Bridge

Corporate overview

The Federal Bridge Corporation Limited (FBCL) owns and manages some of the most important and strategic fixed link crossings in Canada. During financial year 2007-2008, the Corporation successfully completed its ninth year of operation. FBCL has performed well in the fulfillment of its mandate. Key objectives have either been successfully met or are on track to being achieved. The appointment of a new Chief Executive Officer, effective March 31, 2008, is an important step in reinforcing governance and management practices. Careful attention to traffic safety, crossing security, client service and protection of the environment has been a critical factor in FBCL's success. They are, and will remain, top priorities for the Corporation and its subsidiaries.

2007-2008 Significant events

Rehabilitation of the Honoré Mercier Bridge

In June 2006, the Treasury Board approved an amount of $85 million for major rehabilitation works on the roadway deck of the Honoré Mercier Bridge (estimate was revised upward to $135 million). The bridge deck replacement work is scheduled to begin in the summer of 2008 and to be substantially completed by the fall of 2011.

Replacement of the North Channel Bridge

The project for the replacement of the North Channel Bridge, linking Cornwall to Cornwall Island, and corridor improvements on Cornwall Island received Treasury Board approval for an amount of $75 million in 2006. FBCL anticipates that it will seek tenders for the design consultant in 2008. The construction of the new bridge is expected to begin in mid-summer 2009, with work on Cornwall Island to take place from 2009 to 2011.

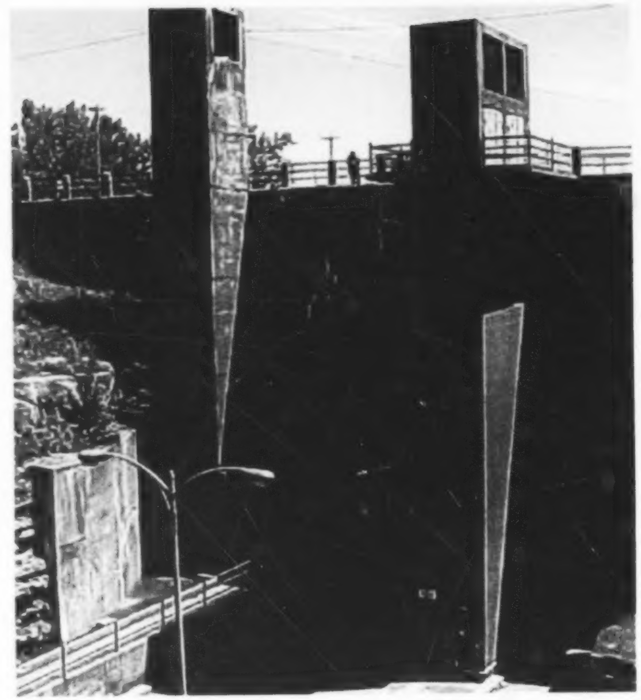
Special examination

During the year, the Office of the Auditor General of Canada proceeded with a Special Examination of FBCL and its subsidiaries. The final report was issued in September 2008 and the Corporation

will take all measures necessary to address all recommendations for improvements identified in the report.

Sault Ste. Marie environmental assessment

In 2007, FBCL took the initiative to solicit and award an environmental assessment project for the expansion and rehabilitation of the existing Sault Ste. Marie, Ontario customs plaza. Federal funding to support the changing needs and overdue upgrades to the existing customs facilities has not yet been received. At the end of March 2008, all public open houses had been completed and a preferred alternative had been selected for finalizing the environmental assessment report by the end of May 2008.



Melocheville Tunnel

Financial results

Net income – Overview at a glance

- Revenues of $15.235 million, up $1.217 million, or 8.68% from 2007
- Expenses of $42.865 million, down $3.716 or 8.0% from 2007
- Loss before government funding of $27,269 million, down $4,934 from 2007
- Net earnings of $2.731 million, up $2.405 million from 2007

Net earnings were $2.731 million, compared with $0.325 thousand in 2007. The increase in net earnings is largely the result of the Thousand Islands Bridge operations which have increased by $1.138 million during the year. Passenger crossings, which were up by 7% from last year, and a toll increase have led to this increase. Administration expenses were also reduced by $880 thousand during the year.

The decrease of $4,934 million in the loss before government funding is principally due to a reduction in maintenance expenses in the current year of $2.487 million, mostly at the The Jacques Cartier and Champlain Bridges Incorporated.

Revenues – Overview at a glance

- Tolls of $5.118 million, up $453 thousand or 9.71% from 2007
- Leases and licenses of $4.799 million, similar to last year
- Thousand Islands Bridge operating revenue of $4.157 million, up $724 thousand or 21.1% from 2007
- Gain on disposal of assets up by $26 thousand from the previous year
- Interest of $1.033 million, up $100 thousand or 10.7% from 2007

Total revenues were $15.235 million, an increase of 8.68% from 2007. The increase was the result of higher tolls at all locations and a positive recovery in the operations at the Thousand Islands Bridge.

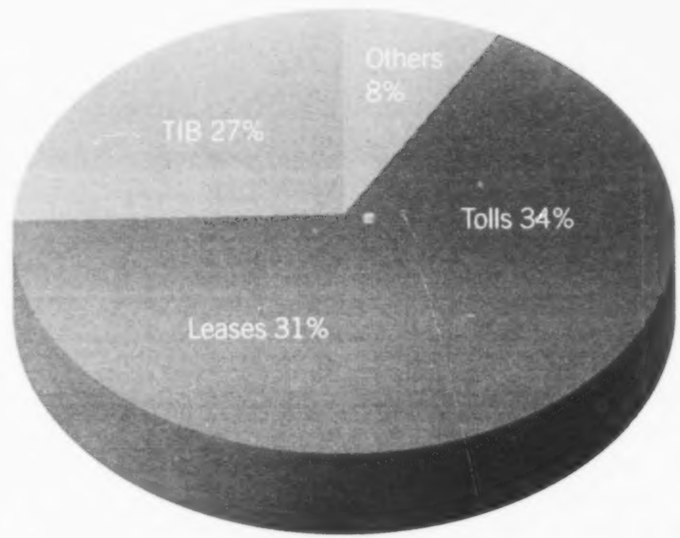
Revenues from tolls, leases and licenses, and from the operation of the Thousand Islands Bridge account for 92% of all revenue before government funding. Toll revenues have increased at all locations with passenger traffic being responsible for most of the increase.

Leases and licenses revenue was $4.799 million, comparable to $4.812 million the previous year. Most of our leases and licenses revenue comes from two sources, i.e. commercial signs in the Montréal area and a Duty Free Store at the Thousand Islands Bridge. All have followed inflation with the exception of the Duty Free Store at the Thousand Islands Bridge whose revenue decreased slightly.

The Thousand Islands Bridge operating revenue was $4.157 million in 2008, a year-over-year increase of $724 thousand or 21.1%. The increase was primarily a result of higher passenger crossings and a toll rate increase.

Interest revenue of $1.033 million was up by 10.7% as interest rates were better throughout the year.

Revenues



Toll booth at the Seaway International Bridge

Expenses – Overview at a glance

- Maintenance of \$21.748 million, down by \$2.487 million or 10.26% from 2007
- Operation expenses of \$4.991 million, similar to last year
- Administration expenses of \$7.166 million, down by \$880 thousand or 10.94%
- Thousand Islands Bridge operating expenses of \$2.358 million, down \$.414 million or 14.94% from 2007.
- Amortization up by \$0.18 thousand from the prior year

Total expenses were \$42.865 million, a decrease of 8.0% from 2007. The decrease was mainly the result of a reduction of \$2.487 million in maintenance costs and a decrease of \$880 thousand in administration expenses.

Maintenance expenses, mostly from The Jacques Cartier and Champlain Bridges Incorporated subsidiary, account for 50% of all expenses. While this year's decreases are in the major maintenance expense category, we expect these will continue to be significant in the future, given the age and condition of our structures.

Operation expenses are mostly for the operation of the toll facilities and do not vary significantly from year to year.

Administration expenses of \$7.166 million account for 17% of all expenses.

The Thousand Islands Bridge operating expenses were \$2.358 million in 2008, a year-over-year decrease of \$414 thousand or 14.94%. The decrease is caused in part by the strength of the Canadian dollar and a reduction in maintenance projects.

Capital improvements

Capital improvements, representing necessary costs for improving the bridges, buildings and other infrastructure totaled $6.813 million for the current year compared to $5.765 million for fiscal year 2006-2007.

Major projects included construction and engineering projects at The Jacques Cartier and Champlain Bridges Incorporated and security improvements at the Thousand Islands Bridge.

Accounting changes

On April 1, 2007, the Corporation prospectively adopted the new recommendations in sections 1506 "Accounting Changes," 1530 "Comprehensive Income," 3855 "Financial Instruments – Recognition and Measurement" and 3861 "Financial Instrument – Disclosure and Presentation" of the Handbook of the Canadian Institute of Chartered Accountants (CICA).

Section 3855 requires that the Corporation classify all its financial assets in one of the following four classes: held for trading, held to maturity, available for sale or loans and receivables. Held-for-trading and available-for-sale financial assets are measured at fair value and held-to-maturity financial assets and loans and receivables are measured at the amortized cost using the effective interest method. These new standards also require that the Corporation classify all financial liabilities as held for trading or other financial liabilities. All financial liabilities are measured at the amortized cost using the effective interest method, other than held-for-trading financial liabilities which are measured at fair value.

Section 3855 also requires that all derivatives, including derivatives that can be embedded in the contract terms be presented on the balance sheet at fair value, unless they meet the exemption criteria in the CICA Handbook. The Corporation examined all of its important contracts as at April 1, 2007, and did not detect any embedded derivatives. The Corporation did not own any derivative financial instruments as at March 31, 2008. The financial impact of adopting the new accounting standards in 2007 and 2008 is not significant.

Section 1530 requires presentation of a new statement titled "Consolidated Statement of Comprehensive Income" which should indicate net earnings for the period and other comprehensive income. Comprehensive income is any change in equity during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles (GAAP), are recognized in comprehensive income, but excluded from net earnings.

Section 3861 replaces former Section 3860 and requires more extensive disclosures about the nature of financial instruments that an entity uses, the extent to which it uses them, its objectives in using them, the associated risks and policies implemented by management to monitor these risks. It also includes new requirements on the disclosure of accounting policies on financial instruments and their fair values. Adoption of Section 3861 has impacted presentation but had no impact on amounts.

Section 1506 requires that an entity disclose in its financial statements the fact that it has not applied a new primary source of GAAP published in the CICA Handbook that is not yet in effect and provide known or reasonably estimable information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the entity's financial statements in the period of initial application. In this regard, the Corporation must disclose the following future accounting changes:

New Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. New Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" replace Section 3861 and revise and enhance the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements. These new sections attached greater importance to the disclosure of the nature and scope of financial instrument risks and how the entity manages these risks. These new requirements are effective for fiscal periods commencing on or after October 1, 2007, i.e. April 1, 2008, for the Corporation. The Corporation is currently assessing these new standards and, at this time, does not anticipate that they will have a significant impact on its financial statements.

International Financial Reporting Standards (IFRS)

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for publicly accountable enterprises, including Federal Crown Corporations, are expected to converge with International Financial Reporting Standards (IFRS) by the end of 2011 for December year-ends.

The Corporation is currently evaluating the impact of the adoption of IFRS on its financial statements. Complete adoption by the Corporation is required by March 31, 2012.

Five-Year Consolidated Financial Summary (Unaudited - for period ending on March 31)

(thousands of dollars)	2008	2007	2006	2005	2004
Revenues					
Thousand Islands Bridge operating revenue	4,157	3,433	4,099	4,537	4,278
Leases and licenses	4,799	4,812	4,839	4,913	4,851
Tolls	5,118	4,665	4,827	5,329	5,169
Interest	1,032	932	635	263	639
Other	129	176	5,511	(89)	146
	15,235	14,018	19,911	14,953	15,083
Expenses					
Maintenance	21,748	24,235	20,468	22,282	26,904
Operation	4,991	5,108	4,900	5,389	5,872
Administration	7,166	8,046	7,361	7,422	7,690
Thousand Islands Bridge operating expenses	2,358	2,772	2,516	2,706	2,009
Amortization	6,601	6,420	5,794	6,002	5,843
	42,864	46,581	41,039	43,801	48,318
Loss before government funding	(27,629)	(32,563)	(21,128)	(28,848)	(33,235)
Parliamentary appropriation for operating expenses	25,963	28,535	24,586	25,944	30,622
Amortization of deferred capital funding	4,409	4,357	3,628	3,397	3,382
Remittance to the Consolidated Revenue Fund	–	–	(6,074)	–	–
Non-controlling interest	(12)	(4)	(21)	(26)	(50)
Net income (loss)	2,731	325	991	467	719

Certain figures have been reclassified for presentation purposes.


The Champlain Bridge

Bridges and Transportation Infrastructures

The Champlain Bridge Ice Control Structure (Estacade)

The Champlain Bridge and the Bonaventure Expressway

Opened on June 28, 1962, the Champlain Bridge is named after the explorer Samuel de Champlain who founded Quebec City in 1608. The Bonaventure Expressway was opened on April 21, 1967, and constitutes one of the bridge's northern approaches.

The bridge links the boroughs of Brossard and Verdun and is about 3 kilometres long. It has six traffic lanes separated by a median barrier. The main span – also of cantilever type – is built of steel. It supports a steel orthotropic slab deck paved over with asphaltic concrete.

There are approximately 49 metres of clearance between the bridge and the Seaway canal. The remaining portions of the bridge are constructed of pre-stressed concrete beams that form a prestressed concrete deck paved over with asphaltic concrete.

In 2007-2008, 59.4 million vehicles crossed the Champlain Bridge, to which must be added 8 million public transit users.

The Champlain Bridge Ice Control Structure (Estacade)

The Champlain Bridge Ice Control Structure was built in 1965 to control ice flows. This structure runs parallel to, and about 305 metres upstream from the Champlain Bridge. It is about 2,043 metres in length and runs west to east, from Nuns' Island to the northern embankment of the St. Lawrence Seaway. This infrastructure is currently used as a bicycle path.

The Jacques Cartier Bridge

The Jacques Cartier Bridge

Opened to traffic on May 14, 1930, and officially inaugurated on May 24, 1930, the Harbour Bridge was later renamed the Jacques Cartier Bridge in 1934 as a tribute to the famous explorer who discovered Canada in 1534.

This steel bridge features a reinforced-concrete deck and spans the width of five traffic lanes. It stretches almost 3 kilometres in length and runs between Longueuil and Montréal. A lane signalling system makes it possible to reverse the direction of the traffic in the centre lane to better accommodate motorists during the morning and evening rush hours.

The main cantilever-type span towers approximately 66 metres above the St. Lawrence River to allow ships to pass underneath to and from the Port of Montréal. The section crossing the Seaway is close to 49 metres over the canal. In 2007-2008, 35.8 vehicles crossed the Jacques Cartier Bridge.

The Honore Mercier Bridge

The Honoré Mercier Bridge

This bridge, inaugurated on July 11, 1934, was named in honour of Honoré Mercier, Premier of Québec from 1887 to 1891. The bridge connects Ville LaSalle, on the island of Montréal, to the Mohawk Reservation of Kahnawake, on the South Shore.

At first, the operation, maintenance and administration of the bridge fell entirely under Québec provincial jurisdiction. Between 1958 and 1959, however, during the construction of the St. Lawrence Seaway, the Seaway's administration supervised the work undertaken to raise the southern part of the bridge, in order that ship traffic could access the Seaway. The raised portion of the bridge thus fell under federal jurisdiction. In 1963, a twin bridge was built riverside in order to meet the ever increasing demands of traffic.

The section of the bridge for which the Corporation is responsible is approximately 1.4 kilometres long. Its truss spans support a classic asphalt-paved concrete deck. In 2007-2008, 30 million vehicles crossed the Honoré Mercier Bridge.

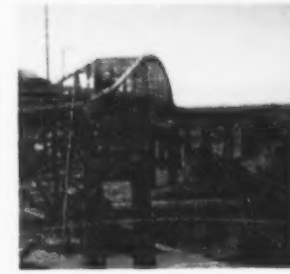
The Melocheville Tunnel

The Melocheville Tunnel

The Melocheville Tunnel was built in 1956 as part of the construction of the Saint Lawrence Seaway. The tunnel passes directly under the Beauharnois Canal locks at Melocheville. It measures approximately 230 metres in length and provides access to one lane of traffic in either direction. In 2007-2008, 4.6 million vehicles passed through the Melocheville Tunnel.

The Seaway International Bridge

Spanning the St. Lawrence Seaway from Cornwall, Ontario, to the Mohawk Territory of Akwesasne and on to Rooseveltown, New York, the Seaway International Bridge is a high level structure that opened to traffic in 1962. It was built under the terms of an international agreement between Canada and the United States signed in 1957 and is operated as a joint venture by our subsidiary, The Seaway International Bridge Corporation, Ltd. under an agreement between The Federal Bridge Corporation Limited and the Saint Lawrence Seaway Development Corporation. In 2007-2008, 2.586 million vehicles crossed the Seaway International Bridge.



The Seaway International Bridge

The Thousand Islands International Bridge

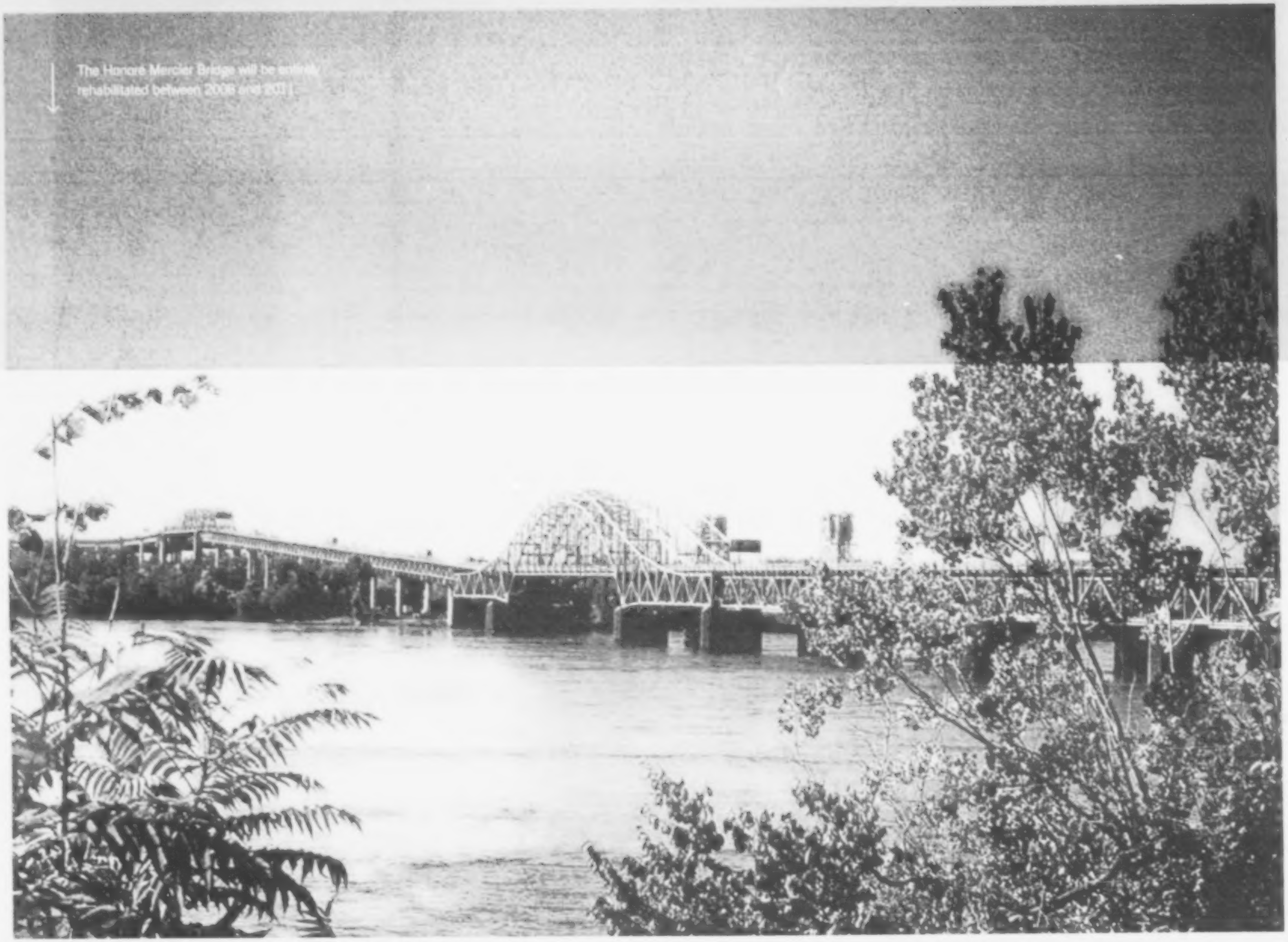
Opened in 1938 by Prime Minister Mackenzie King and President Franklin Roosevelt, the Thousand Islands International Bridge stretches 13.7 kilometres across the St. Lawrence River between Ivy Lea in Ontario and Collins Landing in upper New York State. It was built in sixteen months, an impressive accomplishment by any standard! It is operated and maintained jointly by Canada and the United States under an agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority in the United States. In 2007-2008, 2,121 million vehicles crossed the Thousand Islands International Bridge.

The Thousand Islands International Bridge

The Sault Ste. Marie International Bridge

Opened in 1962, the Sault Ste. Marie International Bridge spans the St. Mary's River linking the twin cities of Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan. It is the only fixed link crossing between the two countries within 1,000 kilometres and it is an important trade route between key American and Canadian markets via Interstate 75 and the Trans-Canada Highway. In 2007-2008, 1,915 million vehicles crossed the Sault Ste. Marie International Bridge.

The Sault Ste. Marie International Bridge



The Honoré Mercier Bridge will be entirely rehabilitated between 2008 and 2011.

Management and Financial Statements

The Federal Bridge Corporation Limited

(As of March 31, 2008)

Board of Directors and Officers

Arthur Hamilton[1]
Chairman of the Board of Directors

Normand Brochu[2]
Vice-Chair

Deborah Tropea[3]
Director

Director
vacant

Micheline Dubé
President and Chief Executive Officer
(since March 31, 2008)

Norman B. Willans
Legal Counsel and Corporate Secretary

Glenn W. Hewus
Senior Vice-President, Engineering and Construction

André Girard
Vice-President, Communications

Gérard Lalonde
Director, Administrative Services and Treasurer

Robin Rensby
Senior Director, Human Resources

Thye Lee
Director, Engineering and Construction



Committees of the FBCL Board of Directors

Audit Committee

Deborah Tropea, *Chair*

Arthur Hamilton, *Member*

Normand Brochu, *Member*

Norman B. Willans, *Secretary*

Gérard Lalonde, *FBCL Treasurer*

Governance Committee

Arthur Hamilton, *Chair*

Deborah Tropea, *Member*

Yvon Bourget, *Member for JCCBI (Chairman JCCBI Governance Committee)*

John Kroon, *Member for SIBC (Chairman SIBC Governance Committee)*

Robin Rensby, *Secretary*

Norman B. Willans, *Counsel*

Human Resources Committee

Normand Brochu, *Chair*

Arthur Hamilton, *Member*

Robin Rensby, *H.R. Senior Director*

Norman B. Willans, *Counsel*

Risk Management Committee

Normand Brochu, *Chair*

Arthur Hamilton, *Member*

Gérard Lalonde, *Secretary*

Glenn Hewus, *Member*

Nominating Committee

Arthur Hamilton, *Chair*

Deborah Tropea, *Member*

Environment Committee

Glenn Hewus, *Chair*

Glen P.Carlin, *Member*

Hendrik Saaltink, *Member*

Gérard Lalonde, *Member*

Ian McPherson, *Member*

Raymond Denault, *Member*

Bill Moulton, *Member*

Sylvie Lefebvre, *Secretary*

Norman B. Willans, *Member*

Thye Lee, *Member*

Robert G. Horr III, *Member*

The Jacques Cartier and Champlain Bridges Incorporated

(As of March 31, 2008)

Board of Directors and Officers

Board of Directors

Yvon Bourget, *President* (since March19, 2008)

Clément Côté, *President* (until March 19, 2008)

Normand Brochu, *Director*

Paul Kefalas, *Director*

Denise Hébert, *Director*

Officers and Senior Managers

Glen P. Carlin, *General Manager*

Sylvie Lefebvre, *Counsel, Corporate Secretary* (until February 22, 2008)

Denise Hébert, *Corporate Secretary* (since February 22, 2008)

Daniel Dupuis, *Director, Finance and Administration*

Guy Mailhot, *Director of Engineering*

Denis Dauphinais, *Director, Construction and Project Management*

Raymond Denault, *Director, Operations and Maintenance*

Committees of the JCCBI Board of Directors

Audit Committee

Denise Hébert, *Chairperson*

René Therrien, *Member* (until September 20, 2007)

Clément Côté, *Member*

Management Committee

René Therrien, *Chairperson* (until September 20, 2007)

Normand Brochu, *Chairperson* (since September 28, 2007)

Yvon Bourget, *Member*

Clément Côté, *Member*

Steering Committee for the Honoré Mercier Bridge Deck Replacement Project

René Therrien, *Chairperson* (until September 20, 2007)

Normand Brochu, *Chairperson* (since September 28, 2007)

Yvon Bourget, *Member*

Clément Côté, *Member*

Risk Management Committee

Glen P. Carlin, *Chairperson*

Sylvie Lefebvre, *Secretary*

Guy Mailhot, *Member*

Raymond Denault, *Member*

Human Resources Committee

Denise Hébert, *Chairperson*

Clément Côté, *Member*

Normand Brochu, *Member*

Clément Poulin, *Member ex officio*

Financial summary

The Jacques Cartier and Champlain Bridges Incorporated

(in dollars)	**2008**	2007
Operating results		
Revenues		
Leases and licenses	797,627	773,312
Interest	130,957	121,916
Other	101,831	40,615
Expenses		
Maintenance	19,465,953	21,941,953
Operation	3,733,259	3,690,222
Administration	3,795,464	3,781,982
Amortization of fixed assets	5,095,456	4,984,696
Net loss before government funding	(31,059,717)	(33,463,010)
Parliamentary appropriation for operating expenditures	25,865,589	28,174,163
Parliamentary appropriation for charges to environmental case	–	225,450
Amortization of deferred capital funding	4,350,592	4,299,010
Net loss	(843,536)	(764,387)
Balance sheet		
Current assets	9,496,480	10,903,188
Current liabilities	6,304,964	7,711,672
Fixed assets	138,988,508	139,506,492
Employee future benefits	834,608	801,052
Environmental obligations	1,000,000	1,000,000
Deferred capital funding	129,571,773	129,939,826
Shareholder's equity	10,773,643	10,957,130
Financial position		
Operating activities	788,096	(2,664,162)
Investing activities	(4,577,472)	(4,826,774)
Financing activities	4,642,588	4,826,774
Increase (decrease) of cash flow	853,212	(2,664,162)

The Seaway International Bridge Corporation Ltd.

(As of March 31, 2008)

Board of Directors and Officers

Board of Directors

Sheila Tremblay, *President*

Collister Johnson, *Vice-President*

Guy Berthiaume, *Director*

Salvatore Pisani, *Director*

Roger J. Forgues, *Director*

Edward Margosian, *Director*

John M. Kroon, *Director*

André G. Poirier, *Director*

Senior Officers

Gerard Lalonde, *Treasurer*

Edward Margosian, *Assistant Treasurer*

Roger J. Forgues, *Assistant Treasurer*

Norman B. Willans, *General Counsel and Corporate Secretary*

Hendrik H. Saaltink, *General Manager*

Committees of the SIBC Board of Directors

Audit Committee

John M. Kroon, *Chairperson*

Edward Margosian, *Member*

Roger J. Forgues, *Member*

Management Committee

John M. Kroon, *Chairperson*

Sheila Tremblay, *Member*

Salvatore Pisani, *Member*

Risk Management Committee

Hendrik H. Saaltink, *Chairperson*

Wade Dorland, *Member*

Ian McPherson, *Member*

Financial Summary

The Seaway International Bridge Corporation, Ltd.

(in dollars)	2008	2007
Operating results		
Revenues		
Tolls	4,161,575	3,924,857
Rentals	138,638	142,728
Investments	137,876	101,948
Others	9,495	8,750
Expenses		
Maintenance	1,367,080	1,363,149
Tolls collection	892,721	772,050
Administration	916,961	927,752
Amortization	166,653	156,594
Net income	1,104,169	958,738
Balance sheet		
Current assets	3,831,018	3,171,129
Current liabilities	571,048	1,141,921
Capital assets	925,983	917,881
Bridge and infrastructure betterments	90,353	123,541
Provision for employees future benefits	294,997	288,453
Capital stock and debentures payable	16,000	16,000
Due to venturers	3,965,309	2,766,177
Financial position		
Operating activities	1,206,875	1,218,579
Investing activities	-1,322,334	-239,858
Financing activities	-497,419	-403,052
Increase (decrease) of cash and cash equivalents	-612,878	575,669

The St. Mary's River Bridge Company

(As of December 31, 2007)

Board of Directors and Officers

James McIntyre, *President*

Alexander Harry, *Vice-President*

Rick Talvitie, *Director*

Mary Trbovich, *Director*

Helen Gillespie, *Director*

Gerald H. Johnston, *Director*

Lorie Bottos, *Director and Secretary-Treasurer*

Financial Summary

St. Mary's River Bridge Company

(in dollars)	**2007**	2006
Operating results		
Revenues		
Tolls	3,037,246	2,702,532
Leases and licences	275,277	297,544
Investments	143,653	130,745
Other	137,026	91,270
Expenses		
Maintenance	1,448,125	1,317,576
Tolls collection	810,672	845,960
Administration	890,171	770,531
Amortization	460,434	395,172
Net income	(16,200)	(107,148)
Balance sheet		
Current assets	4,223,187	3,629,364
Current liabilities	1,370,415	941,291
Capital assets	7,921,713	8,157,194
Deferred capital funding	428,413	486,540
Long-term obligation under capital lease	-	8,521
Capital stock	1,500	1,500
Retained earnings	10,344,572	10,348,706
Financial positions		
Operating activities	929,924	259,320
Investing activities	(212,113)	(393,681)
Increase (decrease) of cash and cash equivalents	717,811	(134,361)

Consolidated Financial Statements

Management's Responsibility for Financial Statements

The consolidated financial statements contained in this annual report have been prepared by Management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these consolidated financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations as well as the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

The Board of Directors is composed of directors who are not employees of the Corporation. The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of external members. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee has reviewed the consolidated financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the consolidated financial statements and reports to the Minister responsible for the Corporation.

Micheline Dubé
President and Chief Executive Officer

June 13, 2008, except as to note 2b which is as of November 20, 2008

Auditor General of Canada
Vérificatrice générale du Canada

Auditor's report

To the Minister of Transport, Infrastructure and Communities

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2008 and the consolidated statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, except for the change in the method of accounting for financial instruments explained in note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations and the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

Régent Chouinard, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
June 13, 2008, except as to Note 2b which is as of November 20, 2008

Consolidated Balance Sheet As at March 31, 2008

(in dollars)	2008	2007 (Restated Note 2)
ASSETS		
Current		
Cash	**11,901,227**	10,672,121
Short-term investments (Note 5)	**13,174,214**	12,926,971
Accounts receivable	**1,449,917**	1,181,228
Advance to joint venturer (Note 6)	**440**	248,710
Accrued interest receivable	**33,467**	95,450
Prepaid expenses	**225,008**	302,878
Due from Canada	**6,533,794**	7,576,118
	33,318,067	33,003,476
Long-term		
Fixed assets (Note 7)	**169,648,595**	169,438,157
	202,966,662	202,441,633
LIABILITIES		
Current		
Accounts payable	**7,509,628**	9,503,355
Deferred revenue	**652,045**	583,800
Instalments on obligation under capital lease	**7,248**	10,866
	8,168,921	10,098,021
Long-term		
Client deposit	**100,000**	100,000
Due to joint venturer (Note 6)	**1,370,263**	1,322,782
Obligation under capital lease (Note 8)	-	8,521
Employee future benefits (Note 11)	**1,332,072**	1,245,355
Environmental obligation (Note 15 b)	**1,000,000**	1,000,000
Deferred capital funding (Note 9)	**130,000,186**	130,426,366
Non-controlling interest	**806,309**	794,286
	134,608,830	134,897,310
	142,777,751	144,995,331
Commitments (Note 14)		
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized		
Unlimited number of shares, without par value		
Issued and fully paid		
1 share	**1**	1
Contributed capital	**53,664,379**	53,664,379
Retained earnings	**6,524,531**	3,781,922
	60,188,911	57,446,302
	202,966,662	202,441,633

Approved by the Board of Directors:

Francoeur

Claude Francoeur, *Director*

D. A Tropea

Debbie Tropea, *Director*

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Operations and Comprehensive Income

For the year ended March 31, 2008

(in dollars)	2008	2007 (Restated Note 2)
Revenues		
Tolls	**5,118,034**	4,664,961
Leases and permits	**4,799,274**	4,811,695
International Thousand Islands Bridge operating revenues (Note 10)	**4,156,590**	3,433,054
Gain (loss) on disposal of fixed assets	**2,633**	(24,011)
Interest	**1,032,687**	932,293
Other	**126,239**	199,560
	15,235,457	14,017,552
Expenses		
Maintenance	**21,747,511**	24,234,719
Operation	**4,991,124**	5,107,580
Administration	**7,165,819**	8,045,501
International Thousand Islands Bridge operating expenses (Note 10)	**2,358,032**	2,772,412
Amortization	**6,602,420**	6,420,391
	42,864,906	46,580,603
Loss before government funding and share of non-controlling interest	**(27,629,449)**	(32,563,051)
Government funding		
Parliamentary appropriation for operating expenses	**25,963,296**	28,534,813
Amortization of deferred capital funding (Note 9)	**4,408,719**	4,357,137
	30,372,015	32,891,950
Earnings before share of non-controlling interest	**2,742,566**	328,899
Share of non-controlling interest	**(12,023)**	(3,537)
Net earnings and comprehensive income	**2,730,543**	325,362

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Retained Earnings

For the year ended March 31, 2008

(in dollars)	**2008**	2007 (Restated Note 2)
Balance, beginning of year	**3,781,922**	2,628,161
Correction of interest in the subsidiary St. Mary's River Bridge Company (Note 2 a)	-	(51,020)
Correction to the recognition related to the Sault Ste-Marie International Bridge and the share of non-controlling interest (Note 2 b)	-	879,419
Adjustment following adoption of new accounting standards (Note 3)	**12,066**	-
Adjusted balance, beginning of year (restated)	**3,793,988**	3,456,560
Net earnings and comprehensive income	**2,730,543**	325,362
Balance, end of year	**6,524,531**	3,781,922

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31, 2008

(in dollars)	2008	2007 (Restated Note 2)
OPERATING ACTIVITIES		
Net earnings	**2,730,543**	325,362
Non-cash items		
Variation in fair value of financial instruments	**(70,656)**	-
Amortization of fixed assets	**6,602,420**	6,420,391
Loss (gain) on disposal of fixed assets	**(2,633)**	24,011
Amortization of deferred capital funding	**(4,408,719)**	(4,357,137)
Decrease in long-term amount due from Canada	-	2,625,809
Increase in provision for employee future benefits	**86,717**	140,832
Share of non-controlling interest	**12,023**	3,537
Changes in working capital items (Note 12)	**(763,724)**	(2,780,831)
Cash flows from operating activities	**4,185,971**	2,401,974
INVESTMENT ACTIVITIES		
Acquisition of short-term investments	**(12,772,497)**	(12,607,976)
Disposal of short-term investments	**12,607,976**	14,306,721
Acquisition of fixed assets	**(6,812,858)**	(5,764,644)
Disposal of fixed assets	**2,633**	9,120
Cash flows from investment activities	**(6,974,746)**	(4,056,779)
FINANCING ACTIVITIES		
Increase in amount due to joint venturer	**47,481**	287,312
Increase in deferred capital funding	**3,982,539**	3,317,947
Repayment of obligation under capital lease	**(12,139)**	(10,314)
Cash flows from financing activities	**4,017,881**	3,594,945
Net increase in cash	**1,229,106**	1,940,140
Cash, beginning of year	**10,672,121**	8,731,981
Cash, end of year	**11,901,227**	10,672,121

The accompanying notes form an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

As at March 31, 2008

1. Authority and activities

The Federal Bridge Corporation Limited (the "Corporation"), incorporated on September 2, 1998 under the *Canada Business Corporations Act*, is a Crown corporation under Schedule III Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

In accordance with a directive issued by the Minister of Transport, Infrastructure and Communities under the *Canada Marine Act*, the St. Lawrence Seaway Authority transferred its assets on October 1, 1998. Specifically, the responsibility for The Jacques Cartier and Champlain Bridges Incorporated, for The Seaway International Bridge Corporation, Ltd., and for the operations of the International Thousand Islands Bridge were transferred to The Federal Bridge Corporation Limited. The responsibility for the Melocheville Tunnel and the Mercier Bridge were transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated in 1998.

On October 17, 2000, the Federal Bridge Corporation Limited acquired 90.67% of the outstanding voting and participating shares of St. Mary's River Bridge Company from the province of Ontario for $1,360.

The Corporation's primary activities involve the management and operation of bridges, installations and other assets. Moreover, the Corporation may acquire land and build structures or other assets and acquire shares or interests in any other bridge management corporation.

The subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, depends on the federal government for its funding. The Federal Bridge Corporation Limited and its subsidiary, St. Mary's River Bridge Company, and its joint venture, The Seaway International Bridge Corporation, Ltd., are self-financed using their own operating income and Parliamentary appropriations.

2. Corrections of prior period errors

During the year, the Corporation retroactively corrected its interest in its subsidiary St. Mary's River Bridge Company (Note 2 a) as well as the recognition related to the Sault Ste-Marie International Bridge acquired by the subsidiary St. Mary's River Bridge Company (Note 2 b) as follows:

a) Correction of the percentage of its interest in the subsidiary St. Mary's River Bridge Company

The Corporation retroactively corrected the percentage of its interest in its subsidiary St. Mary's River Bridge Company to reflect its 90.67% interest in the outstanding voting and participating shares of St. Mary's River Bridge Company and restated its prior period financial statements. This change led to a decrease in the March 31, 2007 beginning balance of retained earnings of $51,020 and an increase of the share of non-controlling interest of $51,020. In addition, this correction led to an increase in the retained earnings of $707 and a decrease in the non-controlling interest of $707 in the Consolidated Statement of Operations and Comprehensive Income for the year ended March 31, 2007. The 90.67% represents 136 shares held by The Federal Bridge Corporation Limited out of 150 shares issued by the St. Mary's River Bridge Company.

b) Correction to the recognition related to the Sault Ste-Marie International Bridge acquired by the subsidiary St. Mary's River Bridge Company

The subsidiary St. Mary's River Bridge Company acquired in 2000 the Sault Ste-Marie International Bridge for a consideration of $2. The Corporation incorrectly recorded, in its March 31, 2002 consolidated financial statements, the bridge's cost and accumulated amortization in the amounts of $7,571,477 and $4,953,008, respectively; also, during the preparation of the Corporation's March 31, 2002 consolidated financial statements, the bridge's cost was decreased by $2,993,313 in order to reduce its carrying amount to $2. Further, the Corporation's consolidated financial statements annually considered an amortization expense calculated on the bridge's initial cost since the date of its acquisition by the subsidiary; the Corporation retroactively corrected the excess accumulated amortization recorded since that date. This correction resulted in a $1,097,360 increase in the net cost of the bridges and roads, a $879,419 increase in the balance of retained earnings at the beginning of the March 31, 2007 fiscal year, as well as a $72,883 increase in the non-controlling interest. This correction also resulted in a $145,058 decrease in the amortization expense for fiscal 2007, a $13,534 increase in the share of non-controlling interest in the Consolidated Statement of Operations and Comprehensive Income for the year ended March 31, 2007, as well as a $131,524 increase in retained earnings.

Summary of the two error corrections 2 a) and 2 b):

As at March 31, 2007, the share of non-controlling interest increased by $136,730, the net cost of Bridges and Roads increased by $1,097,360, the beginning balance of retained earnings increased by $828,399 and net earnings and comprehensive income for the year ended March 31, 2007 increased by $132,231.

The consolidated financial statements of the Corporation for the year ended March 31, 2007 have been restated as follows to reflect the two error corrections detailed in note 2 a) and 2 b):

(in dollars)	2007 Before restatement	2007 Restatement	2007 After restatement
Consolidated Balance Sheet			
Fixed assets – Bridges and Roads			
Cost	295,514,072	(4,578,164)	290,935,908
Fixed assets – Bridges and Roads			
Accumulated amortization	141,920,284	(5,675,524)	136,244,760
Non-controlling interest	657,556	136,730	794,286
Consolidated Statement of Operations and Comprehensive Income			
Amortization	6,565,449	(145,058)	6,420,391
Share of non-controlling interest	9,290	(12,827)	(3,537)
Consolidated Statement of Retained Earnings			
Retained earnings, beginning of year	2,628,161	828,399	3,456,560
Net earnings and comprehensive income	193,131	132,231	325,362
Retained earnings, end of year	2,821,292	960,360	3,781,652

3. Accounting changes

a) Adoption of new accounting standards

On April 1, 2007, the Corporation prospectively adopted the new recommendations in sections 1506 "Accounting Changes", 1530 "Comprehensive Income", 3251 "Equity", 3855 "Financial Instruments –Recognition and Measurement" and 3861 "Financial Instrument -Disclosure and Presentation" of the Canadian Institute of Chartered Accountants (CICA) Handbook.

Section 3855: Financial Instruments – Recognition and Measurement
Section 3855 requires the Corporation to classify all its financial assets in one of the following four classes: held-for-trading, held-to-maturity, available-for-sale or loans and receivables. Held-for-trading and available-for-sale financial assets are measured at fair value and held-to-maturity financial assets and loans and receivables are measured at amortized cost using the effective interest method. These new standards also require the Corporation to classify all financial liabilities as held-for-trading or other financial liabilities. All financial liabilities are measured at amortized cost using the effective interest method, other than held-for-trading financial liabilities, which are measured at fair value.

The Corporation has classified its financial instruments as follows:

Cash, Treasury bills, certain deposit certificates and the secured bonds are classified as held-for-trading and are now presented at fair value; they were presented at cost in the previous financial statements.

Some deposit certificates are classified as held-to-maturity and are measured at amortized cost using the effective interest method.

Accounts receivable, the advance to the joint venturer and accrued interest receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method, less the allowance for doubtful accounts.

Accounts payable, the client deposit and the amount due to the joint venturer are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

Section 3855 also requires that all derivatives, including derivatives that can be embedded in contract terms, be presented on the balance sheet at fair value, unless they meet the exemption criteria noted in the CICA Handbook. The Corporation examined its contracts as at March 31, 2008. The Corporation did not hold any embedded derivative as at March 31, 2008. The financial impact of adopting the new accounting standards in 2007 and 2008 is not significant.

Section 1530: Comprehensive income and Section 3251: Equity

Section 1530 requires the presentation of a new statement titled "Consolidated Statement of Comprehensive Income" which should indicate the net earnings for the period and other comprehensive income. Comprehensive income is any change in equity during a period resulting from transactions and other events and circumstances from non-owner sources. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles (GAAP), are recognized in comprehensive income, but excluded from net earnings.

Once it had determined that it does not have other comprehensive income to disclose in its financial statements, the Corporation decided to meet the new requirements by changing the name of its Consolidated Statement of Earnings to Consolidated Statement of Earnings and Comprehensive Income and by changing the name of the item Net earnings to Net earnings and comprehensive income. Section 3251 comprises changes in relation to Section 1530. Adoption of Section 1530 and the related changes in Section 3251 had no impact on amounts.

Section 3861: Financial instruments - Disclosure and Presentation

Section 3861 replaces former Section 3860 and requires more extensive disclosure about the nature of financial instruments that an entity uses, the extent to which it uses them, its objectives in using them, the associated risks and the policies

implemented by management to monitor these risks. It also includes new requirements for the disclosure of accounting policies on financial instruments and their fair values. Adoption of Section 3861 has impacted presentation but had no impact on amounts.

18. Future accounting changes

Section 1506: Accounting changes

Section 1506 requires that an entity disclose in its financial statements the fact that it has not applied a new primary source of GAAP published in the CICA Handbook that is not yet in effect and provide known or reasonably estimable information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the entity's financial statements in the period of initial application. In this regard, the Corporation must disclose the following future accounting changes:

Section 1535 "Capital Disclosures" and Sections 3862 and 3863 "Financial Instruments"

New Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. New Sections 3862 "Financial Instruments -Disclosures" and 3863 "Financial Instruments -Presentation" replace Section 3861 and revise and enhance the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements. These new sections attached greater importance to the disclosure of the nature and scope of financial instrument risks and how the entity manages these risks. These new requirements are effective for fiscal periods commencing on or after October 1, 2007, i.e. April 1, 2008 for the Corporation. The Corporation is currently assessing these new standards and, at this time, does not anticipate that they will have a significant impact on its financial statements.

International Financial Reporting Standards (IFRS)

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for publicly accountable enterprises, including Federal Crown Corporations, are expected to converge with International Financial Reporting Standards (IFRS) by the end of 2011 for December year-ends.

The Corporation is currently evaluating the impact of the adoption of IFRS on its financial statements. Complete adoption by the Corporation is required by March 31, 2012.

4. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting standards. Significant accounting policies are set out below:

(a) Basis of consolidation

The consolidated financial statements include the accounts of The Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, the 90.67% owned subsidiary, St. Mary's River Bridge Company and its proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation Ltd. The fiscal year-end of the wholly-owned subsidiary and the joint venture is March 31 while that of the subsidiary, the St. Mary's River Bridge Company, is December 31. All inter-company transactions and balances have been eliminated on the consolidated financial statements.

(b) Parliamentary appropriations

The parliamentary appropriation which the subsidiary The Jacques Cartier and Champlain Bridges Incorporated uses to cover the excess of expenses over operating revenues is reflected in the Consolidated Statement of Operations and Comprehensive Income. In this regard, operating expenses do not include amortization, any change in the liabilities for employee future benefits and any gain or loss on disposal of fixed assets.

The portion of the parliamentary appropriation used by the subsidiary to finance the acquisition of amortizable fixed assets is accounted for as deferred capital funding on the balance sheet and amortized on the same basis as the related fixed assets. The portion used to finance non-depreciable fixed assets is recorded as contributed capital.

Any portion of the parliamentary appropriation to which the subsidiary is entitled but which is not received by year-end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as an amount due to Canada. It is the subsidiary's policy to reimburse this amount in the following fiscal year.

(c) Fixed assets

Fixed assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred.

Mitigation measures arising from environmental obligations are recorded according to the present value of the estimated discounted cash flows of costs that are most likely to be incurred.

Amounts included in projects in progress are transferred to the appropriate fixed assets classification upon completion and are then amortized according to the Corporation's policy.

Fixed assets acquired from Government of Canada created departments, agencies and Crown corporations are accounted for at the transferor's carrying amount with the consideration shown in contributed capital.

Fixed assets are amortized over their estimated useful lives using the straight-line method, at the following rates:

Bridges and roads	2% - 7%
Rehabilitation work	5% - 10%
Bridge and infrastructure betterments	10%
Vehicles, equipment and equipment under capital lease	3% - 33%
Buildings	2% - 20%

d) Revenue recognition

Tolls collection revenue is recognized when tolls are collected as vehicles pass through toll booths.

Leases and permits revenue is recognized using the accrual method of accounting in accordance with the lease agreements.

Revenue from leases, permits and toll tickets for services that have not been provided is deferred and recognized in income as the services are provided.

Investment income is recognized using the accrual method of accounting.

- Interest income, other than interest on held-for-trading financial instruments, is calculated using the effective interest method;
- Interest income is recognized in the Consolidated Statement of Operations and Comprehensive Income under Interest regardless of the related financial instrument;

→ The fair value adjustment on held-for-trading financial instruments is recognized in the Consolidated Statement of Operations and Comprehensive Income under Interest.

e) Employee future benefits

Termination benefits

Employees of the Corporation, its wholly-owned subsidiary and its joint venture are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

Pension plan

All employees of the subsidiary The Jacques Cartier and Champlain Bridges Incorporated and the joint venture, The Seaway International Bridge Corporation Ltd participate in the Public Service Pension Plan administered by the Government of Canada. The subsidiary and the joint venture contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiary and the joint venture and are charged to operations on a current basis. The subsidiary and the joint venture are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

The Federal Bridge Corporation Limited employees participate in a defined contribution private pension plan and the cost of this plan is shared by the employees and the Corporation. The Corporation's contributions are expensed when services are rendered and represent the total pension obligation of the Corporation. The terms of payment of past service contributions are set by the application purchase conditions, generally over the number of years of services remaining prior to retirement.

f) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated financial statements date and the reported amounts of revenues and expenses during the reporting period. The estimated useful life of fixed assets, accrued liabilities for major maintenance repairs and estimates pertaining to claims received from suppliers as well as employee future benefits obligations, environmental obligations and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

g) Environmental obligations

When it is considered probable that a liability exists with respect to environmental issues or other matters and if the amount of the loss can be estimated with a reasonable amount of effort, estimated future costs are recorded as a liability in the financial statements. Costs that permit the extension of the lifespan of the Corporation's assets, increase their capacity, safety or effectiveness, or are committed to reduce or prevent future environmental contamination, can be capitalized. Other expenses related to environmental measures are expensed as soon as they are incurred.

5. Short-term investments

The Corporation invests in the short-term money market. The short-term investments are mainly composed of Canadian Treasury bills, guaranteed debentures and deposit certificates. These investments are held-to-maturity and held-for-trading and the rate of return on short-term investments varied between 3.75% to 5.16% for the year ended March 31, 2008 (2007 -3.75% to 5.16%). On average, the term to maturity is 174 days (2007 - 162 days).

(in dollars)	**2008**	2007
Held-to-maturity investments		
Term deposits (Fair value of $1,408,368 in 2008 and $1,073,745 in 2007)	**1,375,000**	1,055,119
Held-for-trading financial assets		
Treasury bills (Fair value of $10,294,243 in 2007)	**10,226,418**	10,286,143
Deposit certificates (Fair value of $931,080 in 2007)	**999,317**	1,266,713
Guaranteed debentures (Fair value of $331,062 in 2007)	**573,479**	318,996
Total	**13,174,214**	12,926,971

6. Advance and amount due to joint venturer

The advance and amount due to the joint venturer bear interest at a rate which varies between 2.57% and 4.39% (2.84% and 4.1% in 2007) and are payable on demand. The amount due was classified as long-term since no repayment is expected in the coming year. As at March 31, 2008, their carrying amounts approximated their fair value.

7. Fixed assets

(in dollars)		2008		2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	**4,234,733**	**-**	**4,234,733**	4,234,733
Bridges and roads	**292,775,919**	**142,190,838**	**150,585,081**	154,691,148
Vehicles and equipment	**7,447,192**	**5,480,585**	**1,966,607**	2,217,194
Buildings	**5,288,285**	**3,067,139**	**2,221,146**	2,221,624
Bridge and infrastructure betterments	**1,109,142**	**1,063,965**	**45,177**	61,771
Projects in progress	**9,595,851**	**-**	**9,595,851**	5,005,441
Environmental obligation (Note 15 b)	**1,000,000**	**-**	**1,000,000**	1,000,000
Equipment under capital lease	**58,245**	**58,245**	**-**	6,246
	321,509,367	**151,860,772**	**169,648,595**	169,438,157

The cost of the Bonaventure Autoroute, the initial cost of the Jacques Cartier Bridge and the initial cost of the Canadian portion of the International Sault Ste. Marie Bridge, included in bridges and roads above, are fully amortized.

Bridge and infrastructure betterments represent the cost of major rehabilitation projects, which maintain the reliability of the North and South Channel of the Seaway International Bridge in Cornwall.

8. Obligation under capital lease

(in dollars)	2008	2007
Obligation under capital lease, 4.644%, payable in monthly instalments, maturing in 2009	**7,248**	19,387
Instalments due within one year	**7,248**	10,866
Long-term instalments due	**-**	8,521

9. Deferred capital funding

(in dollars)	**2008**	**2007**
Balance, beginning of year	**130,426,366**	131,465,556
Parliamentary appropriation to finance the acquisition of amortizable fixed assets	**3,982,539**	3,317,947
Amortization	**(4,408,719)**	(4,357,137)
Balance, end of year	**130,000,186**	130,426,366

10. International Thousand Islands Bridge operating revenues and expenses

These revenues and expenses represent the Corporation's share of the income and expense from operations of the Canadian portion of the International Thousand Islands Bridge in accordance with a management agreement between The Federal Bridge Corporation Limited and the Thousand Islands Bridge Authority.

11. Employee future benefits

(i) Pension benefits

The Jacques Cartier and Champlain Bridges Incorporated, the joint venture and all the employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Federal Bridge Corporation Limited and all its eligible employees participate in a defined contribution plan. During the year, the Corporation's and employee's contributions to these plans were as follows:

(in dollars)	**2008**	2007
Corporation	673,212	654,400
Employees	253,121	264,158

b) Severance benefits

The Federal Bridge Corporation Limited, its subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, and its joint venture provide severance benefits to their employees based on years of service and final salary and for the joint venture, on accumulated sick leave days. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Information about the plan, as measured at the balance sheet date, is as follows:

(in dollars)	**2008**	2007
Accrued benefit obligation, beginning of year	**1,505,258**	1,405,308
Current service cost for the year	**229,672**	443,604
Benefits paid during the year	**(118,012)**	(343,654)
Accrued benefit obligation, end of year	**1,616,918**	1,505,258
Short-term portion included in accounts payable	**(284,846)**	(259,903)
Long-term portion	**1,332,072**	1,245,355

12. Net changes in non-cash working capital

(in dollars)	**2008**	2007
Decrease (increase) in accounts receivable	**(268,689)**	412,631
Decrease (increase) in advance to joint venturer (Note 6)	**248,270**	(47,184)
Decrease in accrued interest receivable	**61,983**	24,843
Decrease in prepaid expenses	**77,870**	202,344
Decrease (increase) in amount due from Canada	**1,042,324**	(3,674,167)
Increase (decrease) in accounts payable	**(1,993,727)**	284,126
Increase in deferred revenue	**68,245**	16,576
Net changes	**(763,724)**	(2,780,831)

13. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The

Corporation enters into transactions with these entities in the normal course of business. These operations are measured at the exchange amounts, which is the value of the consideration established and agreed upon by the related parties. During the year, the Corporation recovered costs totalling $312,835 ($304,825 in 2007) from related parties. As at March 31, 2008, the Corporation recorded accounts receivable of $246,835 ($239,000 in 2007) from related parties.

14. Commitments

a) Operations

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2009, is $3.4 million on an annual basis. This agreement is renewable at maturity unless either party gives notice to the contrary.

b) Suppliers

The Corporation has commitments principally for major repairs, supply contracts, maintenance contracts, professional service and rental agreements for amounts totalling $11,843,510 until 2012. Minimum payments over the next years are as follows:

(in dollars)	
2009	10,072,306
2010	1,199,782
2011	478,313
2012	93,109
2013	-

15. Contingencies

a) In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. It is the opinion of management that these claims or lawsuits will not result in any material liabilities to the Corporation. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the Corporation's financial statements.

b) With regards to the environment, the Corporation reviewed all of its properties to determine their environmental condition. The properties considered to be contaminated will require additional investigation in the coming years. Certain of these properties may eventually require decontamination or mitigation measures.

The most pressing environmental issue facing the Corporation is with the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated and relates to the properties situated on the Bonaventure sector in Montreal (Technoparc sector). The properties, managed by the subsidiary since 1978, are located on a portion of a former waste fill site operated by the City of Montreal from 1866 to 1966. This old landfill site covers several properties belonging to various owners. Since 2003, the subsidiary has carried out investigations and ground-water toxicity tests of these properties and undertaken feasibility studies to determine the required mitigation measures. In light of the complexity of the problem, as well as the presence of several owners and the high costs associated with remedial measures, the Federal government is seeking a global solution to the environmental problem of this site and, in this context, other studies are currently in progress. Consequently, the cost of the mitigation measures to be put in place cannot be reasonably estimated at this time. In addition, cost-sharing aspects between the different owners involved will need to be determined.

However, based on estimates of some costs put forward in a study conducted in 2005 and a recent study completed in 2006-2007, the subsidiary has assessed an estimated liability in the amount of $1,000,000 as at March 31, 2008 ($1,000,000 as at March 31, 2007). The subsidiary will eventually submit to the Treasury Board a request for special funding to undertake mitigation measures, according to the portion of costs to be borne, if necessary, by the Corporation. In view of the above, a $1,000,000 liability has been recorded in the financial statements.

16. Major rehabilitation work

In its endeavour to fulfill its mission, the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, must undertake major rehabilitation work on the roadway deck of the federal section of the Honoré Mercier Bridge, which it intends to carry out through two contracts. In June 2006, the Treasury Board approved an amount of $85 million for the project, including direct and indirect costs. This amount was based on an estimate prepared by a consultant in the course of a feasibility study. However, the estimate was revised upward and an amount of $50 million was included in the February 2008 federal budget. As at March 31, 2008, the estimated total cost is $148 million. An additional application for $13 million will be made to the Treasury Board if necessary. This deck replacement work is scheduled to begin on the bridge in spring 2008 and be completed by the fall of 2011.

17. Financial risk management objectives and policies

Financial risk management objectives and policies

The Corporation is exposed to various financial risks resulting from both its operation and its investment activities. The Corporation's management manages financial risks.

The Corporation does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Interest rate risk

The term deposits, the advance and amount due to joint venturer and the obligation under capital lease bear interest at a fixed rate and the Corporation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Corporation does not use derivative financial instruments to reduce its interest rate risk exposure.

18. Fair value of financial instruments

The carrying amount of accounts receivable, the advance to the joint venturer, accrued interest receivable, the accounts payable, and the short-term portion of the obligation under capital lease approximates the fair value due to their short-term maturity.

The fair value of deposit certificates is based on the current bid price.

The fair value of the amount due to the joint venturer is not significantly different from the carrying amount.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

19. Asset retirement obligations

a) The Jacques Cartier and Champlain Bridges Incorporated received a permit to install, maintain and use one cable for closed-circuit television signals on properties it does not own. This permit for a "during pleasure" term contains a cancellation clause under which the owner or the subsidiary may cancel the permit at any time by giving the other party written notice. Upon cancellation, the permit stipulates that the subsidiary must immediately remove its installations from the owner's land and premises, at its own expense, failing which the owner shall remove them and shall restore them at the subsidiary's expense or, at the owner's option, it may keep them without compensation. Neither the owner of the property nor the subsidiary have indicated their intent to cancel the permit. Since the potential permit cancellation date is undetermined, no retirement obligation for this asset has been recognized for the year ended March 31, 2008.

b) The Jacques Cartier and Champlain Bridges Incorporated owns certain structures erected on land it does not own. The property owner has transferred management and administration thereof to the Government of Canada. The legal documents of the transfer provide that, in the event there is a change in the use of these structures from the use at the time of the transfer, the owner will resume control of the land without compensation for the structures erected provided they are in a condition that is satisfactory to the owner. At this time, the subsidiary does not intend to change the current use of these structures. Accordingly, no retirement obligation for these assets has been recognized in the financial statements.

20. Interest in a co-venture - The Seaway International Bridge Corporation

The consolidated financial statements of the Corporation includes 50% of the assets, liabilities, revenues and expenses of the co-venture The Seaway International Bridge Corporation Limited.

(in dollars)	**2008**	2007
Assets		
Current	**1,915,509**	1,585,565
Long-term	**508,168**	520,711
Liabilities		
Current	**285,524**	570,961
Long-term	**2,138,153**	1,535,315
Operations		
Revenues	**2,223,792**	2,089,142
Expenses	**2,223,792**	2,089,142
Net earnings	-	-
Cash flows		
Operating activities	**603,438**	609,290
Investment activities	**(661,167)**	(119,929)
Financing activities	**(248,710)**	(201,526)

21. Comparative figures

Certain figures from 2007 have been reclassified to be consistent with the presentation adopted in the current year.

Corporate Offices

The Federal Bridge Corporation Limited

55, Metcalfe Street, Suite 1210
Ottawa, Ontario K1P 6L5
Telephone: (613) 993-6880
Fax: (613) 993-6945
www.federalbridge.ca
info@federalbridge.ca

The Seaway International Bridge Corporation, Ltd.

P.O. Box 83
Cornwall, Ontario K6H 5T7
Telephone: (613) 932-5113
Fax: (613) 932-9086
www.sibc.ca
hsaaltink@sibc.ca

The St. Mary's River Bridge Company

P.O. Box 580
Sault Ste. Marie, Ontario P6A 5N1
Telephone: (705) 759-5400
Fax: (705) 759-5405

The Jacques Cartier and Champlain Bridges Incorporated

1111, Saint-Charles Street West
West Tower, Suite 600
Longueuil, Québec J4K 5G7
Telephone: (450) 651-8771
Fax: (450) 677-6912
www.jccbi.ca
info@pjcci.ca

The Thousand Islands Bridge Authority

P.O. Box 10
Lansdowne, Ontario K0E 1L0
Telephone: (315) 482-2501
Fax: (315) 482-5925
www.tibridge.com